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UNITED STATES SECURITIES AND EXCHANGE COMMISSION Washington, D.C. 20549

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FORM 1-A

PROCESSED

REGULATION A OFFERING STATEMENT C 0 1 2003
UNDER THE SECURITIES ACT OF 1933

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MD TECHNOLOGIES INC.

RECEIVED

(Exact name of issuer as specified in its charter)

NOV 2 8 2003

DELAWARE

(State or other jurisdiction of incorporation or organization)

DIVISION OF CORPORATION FINANCE OFFICE OF EMERGING GROWTH COMPAN

620 Florida St., Suite 200 Baton Rouge, LA 70801 (225) 343-7169

(Address, including zip code, and telephone number, including area code of issuer's principal executive office)

William C. Ellison Agent for Service of Process 620 Florida St., Suite 200 Baton Rouge, LA 70801 (225) 343-7169

Delaware Registry, Ltd. Agent for Service of Process 3511 Silverside Road, Suite 105 Wilmington, DE 19810 (302) 477-9800

(Name, address, including zip code, and telephone number, including area code, of agent for service)

7371 (Primary Standard Industrial Classification Code Number) 72-1491921 (I.R.S. Employer Identification Number)

This offering statement shall only be qualified upon order of the Commission, unless a subsequent amendment is filed indicating the intention to become qualified by operation of the terms of Regulation A.

ITEM 1. SIGNIFICANT PARTIES

List the full names and business and residential addresses, as applicable, for the following persons:

(a) the issuer's directors:

3.7	D' A 11	Desidential Address
Name	Business Address	Residential Address
Jose S. Canseco, Chairman	2809 E. Judge Perez Dr.	211 N. Roadway Drive
	Meraux, LA 70075	New Orleans, LA 70124
	(504) 279-9930	(504) 282-5846
William D. Davis	620 Florida Street, Suite 200	18151 West Trent Jones Ave.
	Baton Rouge, LA 70801	Baton Rouge, LA 70810
	(225) 343-7169	(225) 751-0736
William C. Ellison	701 S. Peters Street, Suite 100	1301 Octavia St.
	New Orleans, LA 70130	New Orleans, LA 70115
	(504) 524-6597	(504) 891-6674
Thomas L. Frazer	7520 Perkins Road, No. 280	1450 Knollwood Dr
	Baton Rouge, LA 70808	Baton Rouge, LA 70808
	(225) 769-4123	(225) 925-5277
William J. Burnell	330 Camp Street	9 Rue Calais
	New Orleans, LA 70130	Kenner, LA 70065
	(504) 524-6172	(504) 464-4465
	(50.) 32. 01.2	(4.5.1) 10.1.100
Terry Jones	Dean Capital, L.L.C.	15538 Shenandoah Avenue
	P.O. Box 427	Baton Rouge, LA 70817
	Prairieville, LA 70769	(225) 756-0231
	(225) 622-0376	

(b) the issuer's officers:

Name	Business Address	Residential Address
William D. Davis	620 Florida Street, Suite 200	18151 West Trent Jones Ave.
President & Chief Executive	Baton Rouge, LA 70801	Baton Rouge, LA 70810
Officer	(225) 343-7169	(225) 751-0736
Jose S. Canseco Vice President of Policy and Planning	2809 E. Judge Perez Dr. Meraux, LA 70075 (504) 279-9930	211 N. Roadway Drive New Orleans, LA 70124 (504) 282-5846

Name	Business Address	Residential Address
William C. Ellison	Bordelon, Hamlin and Theriot	1301 Octavia St.
Secretary & General Counsel	701 S. Peters Street, Suite 100	New Orleans, LA 70115
	New Orleans, LA 70130 (504) 524-6597	(504) 891-6674
Terry Jones	Dean Capital, L.L.C.	15538 Shenandoah Avenue
Vice President of Finance	P.O. Box 427	Baton Rouge, LA 70817
	Prairieville, LA 70769 (225) 622-0376	(225) 756-0231
Joseph Palazzo	620 Florida Street, Suite 200	11225 Landfair Ave.
Executive Vice President of	Baton Rouge, LA 70801	Baton Rouge, LA 70818
Sales & Marketing	(225) 343-7169	(225) 937-3521

(c) the issuer's general partners:

Not Applicable.

(d) record owners of five (5%) percent or more of any class of the issuer's equity securities:

Name	Business Address	Residential Address
Jose S. Canseco	2809 E. Judge Perez Dr.	211 N. Roadway Drive
	Meraux, LA 70075	New Orleans, LA 70124
William D. Davis	620 Florida Street, Suite 200	18151 West Trent Jones Ave.
	Baton Rouge, LA 70124	Baton Rouge, LA 70810
Ricardo Marcos, Jr.	10031 S. W. 162 nd Court	10031 S. W. 162 nd Court
	Miami, FL 33196	Miami, FL 33196
Dawn R. Haase	N/A	18151 West Trent Jones Ave.
		Baton Rouge, LA 70810

(e) beneficial owners of five (5%) percent or more of any class of the issuer's equity securities:

Not Applicable

(f) promoters of the issuer:

Name	Business Address	Residential Address
William D. Davis	620 Florida Street, Suite 200	18151 West Trent Jones Ave.
	Baton Rouge, LA 70801	Baton Rouge, LA 70810

Name	Business Address	Residential Address
Jose S. Canseco	2809 E. Judge Perez Dr. Meraux, LA 70075	211 N. Roadway Drive New Orleans, LA 70124
Ricardo Marcos, Jr.	10031 S. W. 162 nd Court Miami, FL 33196	10031 S. W. 162 nd Court Miami, FL 33196

(g) affiliates of the issuer:

There are no affiliates.

(h) counsel to the issuer with respect to the proposed offering:

Name	Business Address	Residential Address
John C. Anjier	Liskow & Lewis	1721 Jena Street
	701 Poydras Street, Suite 5000	New Orleans, LA 70115
	New Orleans, LA 70139	

(i) each underwriter with respect to the proposed offering:

There are no underwriters. Issuer is selling the securities.

(j) the underwriter's directors:

Not Applicable.

(k) the underwriter's officers:

Not Applicable.

(1) the underwriter's general partners:

Not Applicable.

(m) counsel to the underwriter:

Not Applicable.

ITEM 2. APPLICATION OF RULE 262

No persons identified in Item 1 are subject to the disqualification provisions set forth in Rule 262.

ITEM 3. AFFILIATE SALES

No part of this offering involves the resale of securities by affiliates of the issuer.

ITEM 4. JURISDICTIONS IN WHICH SECURITIES ARE TO BE OFFERED

(a) List the jurisdiction in which the securities are to be offered by underwriters, dealers or salespersons.

Not Applicable

(b) List the jurisdictions in which the securities are to be offered other than by underwriters, dealers or salesmen and state the method by which such securities are to be offered.

The securities will be offered in the State of Louisiana. We are utilizing an exemption from registration pursuant to La. R.S. § 51:709(5) and we have filed a copy of the Form 1-A along with the appropriate supporting documents with the State of Louisiana. Sales will be made by our executive officers, Jose Canseco, William Davis, and William Ellison. The securities will be offered by offering circular to potential investors identified by these officers and other senior management. No commissions or finders fees will be paid.

ITEM 5. UNREGISTERED SECURITIES ISSUED OR SOLD WITHIN ONE YEAR

- (a) As to any unregistered securities issued by the issuer or any of its predecessors or affiliated issuers within one year prior to the filing of this Form 1-A, state:
- (1) the name of such issuer: MD Technologies Inc.
- (2) the title and amount of securities issued: Common Stock. 739,992 shares (184,998 shares after giving effect to the reverse stock split) and 404,905 options for shares of Common Stock (101,227 options after giving effect to the reverse stock split) were issued in the last 12 months.
- (3) the aggregate offering price or other consideration for which the 739,992 shares (184,998 shares after giving effect to the reverse stock split) of common stock were issued and basis for computing the amount thereof: \$0.50 per share (\$2.00 per share after giving effect to the reverse stock split). The consideration for which the 404,905 options for shares of common stock (101,227 options after giving effect to the reverse stock split) were issued and basis for computing the amount thereof: services rendered.
- (4) the names and identities of the persons to whom the securities were issued:

Jose S. Canseco, Chairman 211 N. Roadway Drive New Orleans, LA 70124 (504) 282-5846 William D. Davis 620 Florida Street, Suite 200 Baton Rouge, LA 70801 (225) 343-7169 William C. Ellison 701 S. Peters Street, Suite 100 New Orleans, LA 70130 (504) 524-6597

William J. Burnell 330 Camp Street New Orleans, LA 70130 (504) 524-6172

Terry Jones 15538 Shenandoah Avenue Baton Rouge, LA 70817 (225) 756-0231

Thomas Frazer 7520 Perkins Road, No. 280 Baton Rouge, LA 70808 (225) 769-4123

Business Resource Capital 330 Camp Street New Orleans, LA 70130 . (504) 524-6172

Dr. Michael Graham 4770 S I 10 Service Road W. Metairie, LA 70001 (504) 455-0004

Dr. Vu Vuong 4770 S I 10 Service Road W. Metairie, LA 70001 (504) 455-0004

Dr. Melvin Voros 4770 S I 10 Service Road W. Metairie, LA 70001 (504) 455-0004

Joseph Palazzo 11225 Landfair Avenue Baton Rouge, LA 70818 (225) 937-3521 Dr. Steven Zuckerman 7777 Hennessy Blvd, No. 405 Baton Rouge, LA (225) 769-3010

Dawn R. Haase 18151 West Trent Jones Ave. Baton Rouge, LA 70810 (225) 751-0736

John P. McLain 18746 Lafitte Brothers Lane Prairieville, LA 70769 (225) 673-2956

Dean Capital, L.L.C. 39433 Hwy 929 Prairieville, LA 70769 (225) 622-0376

Jason Martin 36073 Cheray Dr. Denham Springs, LA 70706 (225) 665-1941

Clayton Melson 7975 Fairlane Dr. Denham Springs, LA 70726 (225) 791-5864

Robert Dubois 7940 Jefferson Hwy Apt. #218 Baton Rouge, LA 70809 (225) 927-9689

Sunny Hubbard 8001 Jefferson Hwy. Apt. #154 Baton Rouge, LA 70809 (225) 234-7705 (b) As to any unregistered securities of the issuer or any of its predecessors or affiliated issuers which were sold within one year prior to the filing of this Form 1-A by or for the account of any person who at the time was a director, officer, promoter or principal security holder of the issuer of such securities, or was an underwriter of any securities of such issuer, furnish the information specified in subsections (1) through (4) of paragraph (a).

Not Applicable.

(c) Indicate the section of the Securities Act or Commission rule or regulation relied upon for exemption from the registration requirements of such Act and state briefly the facts relied upon for such exemption.

The shares of common stock were sold in reliance on the exemption provided by Section 4(2) of the Securities Act of 1933. The sales were made to accredited investors who were acquaintances of the officers of the issuer. No public solicitation or advertising was utilized.

ITEM 6. OTHER PRESENT OR PROPOSED OFFERINGS

The issuer is not contemplating the offering of any securities in addition to those covered by this Form 1-A at this time.

ITEM 7. MARKETING ARRANGEMENTS

- (a) Briefly describe any arrangement known to the issuer or to any person named in response to Item 1 above or to any selling security holder in the offering covered by this Form 1-A for any of the following purposes:
- (1) To limit or restrict the sale of other securities of the same class as those to be offered for the period of distribution.

No arrangements

(2) To stabilize the market for any of the securities to be offered.

No arrangements

(3) For withholding commissions, or otherwise to hold each underwriter or dealer responsible for the distribution of its participation.

No arrangements

(b) Identify any underwriter that intends to confirm sales to any accounts over which it exercises discretionary authority and include an estimate of the amount of securities so intended to be confirmed.

No arrangements

ITEM 8. RELATIONSHIP WITH ISSUER OF EXPERTS NAMED IN OFFERING STATEMENT

If any expert named in the offering statement as having prepared or certified any part thereof was employed for such purpose on a contingent basis or, at the time of such preparation or certification or at any time thereafter, had a material interest in the issuer or any of its parents or subsidiaries or was connected with the issuer or any of its subsidiaries as a promoter, underwriter, voting trustee, director, officer or employee furnish a brief statement of the nature of such contingent basis, interest or connection.

No experts were retained on a contingent basis and no experts had such interest or connection.

ITEM 9. USE OF A SOLICITATION OF INTEREST DOCUMENT

Indicate whether or not a publication authorized by <u>Rule 254</u> was used prior to the filing of this notification. If so, indicate the date(s) of publication and of the last communication with prospective purchasers.

No publication authorized by Rule 254 was used prior to the filing of this offering statement.

PRELIMINARY OFFERING CIRCULAR

MEDTOPIA

MD TECHNOLOGIES INC.

620 Florida St., Suite 200 Baton Rouge, LA 70801 (225) 343-7169

1,675,000 SHARES COMMON STOCK \$2.40 per share

We are offering 1,675,000 shares of common stock at a price of \$2.40 per share ("Shares") in accordance with Regulation A under the Securities Act of 1933 (the "Offering"). We are selling the Shares in minimum lots of 500 shares (\$1,200). The Shares are not restricted. We are making this offering on a "best efforts basis" and there is no minimum number of Shares that must be sold. We can give no assurance that all or any of the Shares will be sold. No escrow account is being established, and all subscription funds will be paid directly to the Company. This offering terminates June 30, 2004.

THE UNITED STATES SECURITIES AND EXCHANGE COMMISSION DOES NOT PASS UPON THE MERITS OF OR GIVE ITS APPROVAL TO ANY SECURITIES OFFERED OR THE TERMS OF THE OFFERING, NOR DOES IT PASS UPON THE ACCURACY OR COMPLETENESS OF ANY OFFERING CIRCULAR OR OTHER SELLING LITERATURE. THESE SECURITIES ARE OFFERED PURSUANT TO AN EXEMPTION FROM REGISTRATION WITH THE COMMISSION; HOWEVER, THE COMMISSION HAS NOT MADE AN INDEPENDENT DETERMINATION THAT THE SECURITIES OFFERED HEREUNDER ARE EXEMPT FROM REGISTRATION.

	Price to Public	Underwriting Discount and Commissions*	Proceeds to Issuer
Per Share	\$2.40	\$0	\$2.40
Total Maximum	\$4,020,000	\$0	\$4,020,0000

^{*} Does not include offering costs, including filing, legal, and accounting costs estimated at \$100,000. See page 11.

The date of this Offering Circular is November 26, 2003. We intend to offer the securities to the public as soon as practicable after this Offering Circular becomes effective.

In this Offering Circular, the terms "MD Technologies", "Company," "we," "our," and "us" refer to MD Technologies Inc. The terms "you" or "your" refer to a prospective investor.

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OFFERING CIRCULAR SUMMARY

This summary highlights information contained elsewhere in this offering circular. This summary is not complete and does not contain all of the information that you should consider before investing in the Shares. You should read the entire offering circular carefully.

Company Overview and Background

MD Technologies Inc. designs, develops, and deploys software applications and services to the healthcare industry. Our mission is to provide advanced technological healthcare management solutions while maintaining a strong commitment to customer service and support. Our website address is http://www.medtopia.com.

Prior to 2001, most of our efforts and funding were devoted to improving and testing *Medtopia*, our flagship product. Only recently have we begun to focus on marketing efforts through the hiring of our Executive Vice President for Marketing, Joseph Palazzo. Mr. Palazzo has 13 years experience marketing in the medical software field and we believe, with funding from this offering, that we can quickly expand our sales and revenue.

The Company's founders began developing *Medtopia* in 1996, and the product went online with its first physician in November 1998 after two years of development and testing. We believe *Medtopia* to be the first completely Internet-based physician practice management software. *Medtopia* underwent continued development and testing until its official launch in January 2001, which coincided with Emory Healthcare acquiring an interest in the Company and committing to use, help develop and deploy our applications. At launch, we had 11 customers representing 21 physicians and healthcare providers using *Medtopia*. MD Technologies Inc. currently has 78 customers representing over 160 physicians and healthcare providers.

Our customers consist primarily of physicians and physician group practices from a broad range of specialties, including OB-GYN, Pediatrics, Internal Medicine, Orthopedics, ENT, Neurology, Family Medicine, and Psychology. However, *Medtopia*, and its related applications and services, can also be used by any type of healthcare providers, including physical therapists, optometrists, dentists, laboratories, health clinics, and hospitals.

We are dedicated to providing the best possible customer service and support in the industry and our commitment and efforts to maintaining customer loyalty have succeeded. Since our first sale, we have maintained a 90% customer retention rate. We attribute this to the quality of our products and, more importantly, to the quality of our employees and our commitment to customer satisfaction.

The sale of *Medtopia* generates two primary, separate revenue streams: fees from the initial installation, conversion and training for the product; and a monthly subscription fee that includes all support, product enhancements and upgrades. We also provide customization services for a negotiated fee.

In 2002, we began providing billing and accounts receivable management services to a limited number of customers. These services typically include the entering of our customers'

patient encounter information into *Medtopia*. The accuracy of the billing information is verified using features built into *Medtopia* that have been especially designed for this purpose. This information is used to process claims with various insurance carriers by sending it electronically through *Medtopia* and third party clearinghouses. Once entered into *Medtopia*, our customers can track and review their accounts receivables online as well as run real-time reports and perform their own analysis of the data using only a web-browser. We manage our customer's receivables all the way through the adjudication process until payment. Upon receiving payment confirmation, denial, or request for additional information, we post the payment to the system, provide any additional information requested, and make any adjustments if necessary. The fact that we host the customers' information and that they are intimately familiar with our application allows us to provide a higher level of service and achieve economies of scale not available to competing billing companies.

Our billing and accounts receivable management services are invoiced to customers as a percentage of actual collections. Our fees are negotiated with each of our customers depending on the level of activity expected and volume and amount of charges. Some customers prefer that our staff perform all data input functions and they provide us with hard copies of their patient encounter information. Others perform the data input themselves. In most cases we can demonstrate that our fees are less than what our customers would pay for employees to perform similar services in-house.

In addition to *Medtopia*, we have developed and deployed several other applications, including *MedtopiaMobile*, a hand-held product for physicians, and *MyMedtopia*, a webbased application that allows patients to access their physician's records. *MedtopiaMobile* is currently available for sale and was first deployed in January of 2002 to customers who agreed to be 'Beta-Test' users of the product. We currently have four physician users in this capacity. *MyMedtopia* was licensed to Emory Healthcare for \$100,000 in January of 2001 for eighteen months beginning in October of 2001 and we are in negotiations with them to renew the license. We also currently provide *MyMedtopia* to existing *Medtopia* customers free of charge; however, in the future we will begin charging a fee for its use as well as actively market it to other customers. We have also developed, but not yet deployed, *MedtopiaCommerce*, a business-to-business facilitator that is also called the "virtual warehouse". All of the *Medtopia* products work in unison, but can also exist independently of each other.

We are located at 620 Florida St., Suite 200, Baton Rouge, LA 70801.

The Market

The market for healthcare software applications is broad and represents significant opportunities for companies that can deliver next-generation technologies to healthcare providers. Despite the fact that the healthcare market is the single largest segment of the overall U.S. economy, it is one of the last major industries to embrace the benefits of information technology.

The market for practice management software is fragmented, consisting of over 100 companies, with no single company dominating the market. Our specific market consists of

practices containing eight physicians or less, who comprise a large majority of all physician practices.

Additionally, our *MedtopiaMobile* product competes in the market for Electronic Medical Records ("EMR") and other clinical information support software. This market consists of institutions and organizations of all sizes, including hospitals, clinics and group practices. Most healthcare organizations have yet to deploy an EMR because of lack of standardization, price and multi-vendor incompatibility. However, as the need to automate clinical processes becomes increasingly important, these impediments are being overcome. Since this market is still evolving, there is no clear market-leader. Therefore, as the market matures and the impediments are overcome, products such as *MedtopiaMobile* will be increasingly in demand.

Our management believes that *Medtopia*, *MedtopiaMobile*, and our related products and services are poised to establish a competitive position in these markets. As these markets evolve, we will attempt to utilize our experience in research and development to ensure that our products evolve *ahead* of the competition, thereby creating additional and increasing market opportunities for us.

Recent Developments

We are continuing to expand our marketing efforts. We added 2 new customers to *Medtopia* in July and 7 in August, our best month ever. We also hired an additional employee to assist with the support and service of the new accounts. We have interviewed prospective salespeople in Atlanta, Georgia and Houston, Texas in order to help expand our marketing efforts in those regions. We have narrowed the field to three candidates in each market. In addition, we completed a 1 to 4 reverse stock split on September 26, 2003. We implemented the reverse stock split to raise the offering price from \$0.60 per share to \$2.40 per share which we felt was more marketable. In addition, we entered into an Advertising Agreement with The Graham Group, Inc. and Graham Group Interactive, Inc. to perform advertising, public relations, and internet content development services for the Company. The Graham Group is the second largest advertising, marketing and public relations agency in Louisiana and has offices in Baton Rouge, Lafayette, New Orleans and Shreveport.

RISK FACTORS

Before investing in the Shares, you should consider the following risk factors and the impact from various events that could adversely affect our business.

This offering involves a high degree of risk.

You should not invest any funds in this Offering unless you can afford to lose your entire investment. You should carefully consider the risks described below and all other information contained in this offering circular before you decide to buy the Shares. If any of the following risks were to occur, our business, financial condition or results of operations would likely suffer. In that event, you could lose all or part of your investment.

We expect net losses for the immediate future and may not be able to continue as a going concern.

Our accountants have raised substantial doubt about our ability to continue as a going concern because of sustained operating losses. Our potential for future profitability must be considered in light of the risks, uncertainties, expenses and difficulties frequently encountered by companies in the early stages of development. Our business strategy may not be successful or we may not be able to successfully address these and other challenges, risks and uncertainties.

We will need additional financing to continue to successfully develop the business.

To date, we have funded our operations from our revenues and the sale of equity and debt securities. We expect the net proceeds from this Offering, the current cash and cash equivalents and borrowings of MD Technologies to be sufficient to meet our operating and capital requirements for the next 24 months. After that, we will need to raise additional funds. We may not be able to obtain additional financing on favorable terms, if at all. If we cannot raise funds when needed, on acceptable terms, we may not be able to develop or enhance our services, take advantage of future opportunities or respond to competitive pressures or unanticipated requirements. This could seriously harm our business, financial condition and results of operations.

No public market.

There is no existing public market for our Shares. Although we intend to register the Shares for trading, we do not know how liquid the market for the Shares will be and certain offers and purchases may be difficult to complete because of lack of liquidity.

The offering price is not indicative of the value or future market price of the Shares.

We have determined the price of the Shares based primarily upon the price of shares of common stock sold in private offerings, which was arbitrarily decided. Accordingly, the price of the Shares offered should not be regarded as an indication of the value of or any future market price for the Shares.

This is a best efforts, no minimum offering, and we have no obligation to raise a minimum in the offering.

The Shares offered hereby will be sold on a "best efforts" basis. We are not, therefore, required to receive any specific amount of subscriptions. Accordingly, investors whose subscriptions are accepted first run the additional risk that we may not raise all of the funds we are seeking in this offering which could materially and adversely affect our ability to finance our business plan.

The value of your Shares will be immediately diluted.

Purchasers of the Shares will suffer an immediate and substantial dilution from the price of the Shares offered.

To date we have depended on a small pool of customers.

We currently have a limited number of customers, and if we suffer attrition of several or more customers, we could experience a substantial drop in revenue.

Our operations will suffer if healthcare industry participants do not increasingly use and accept Internet solutions.

Our business model depends on the adoption of Internet solutions by providers, patients, payers and other healthcare industry participants and will require the acceptance of a new way of conducting business and exchanging information. To be successful, we must attract a significant number of customers throughout the healthcare industry. Healthcare participants must be willing to allow sensitive information to be stored in our databases and to conduct healthcare transactions over the Internet. Our ability to generate revenues will suffer dramatically if Internet solutions are not accepted or are perceived to be ineffective. To date, the healthcare industry has been resistant to adopting new information technology solutions. Electronic information exchange and use of the Internet for practice management by the healthcare industry is still developing. We believe that complexities in the nature of the healthcare transactions that must be processed have hindered the development and acceptance of information technology solutions by the industry. Conversion from traditional methods to electronic information exchange may not occur as rapidly as we expect and demand and market acceptance for data services and products over the Internet may not grow or continue to grow. Accordingly, we may not achieve the critical mass of users we believe is necessary to generate sufficient subscription and transaction-based fees for us to be successful.

Our operations could be damaged by performance problems with our service and content providers.

We depend on service and content providers to provide information and data feeds on a timely basis. *Medtopia*'s web site could experience disruptions or interruptions in service due to the failure or delay in the transmission or receipt of this information. In addition, our customers who utilize our web-based services depend on Internet service providers, online service providers and other web site operators for access to our web sites. All of these providers have experienced significant outages in the past and could experience outages,

delays and other difficulties in the future due to system failures unrelated to *Medtopia*'s systems. Any significant interruptions in our services or increases in response time could result in a loss of potential or existing users of and advertisers and sponsors on its web site and, if sustained or repeated, could reduce the attractiveness of our services.

Our reputation could suffer if our system experiences security breaches or is otherwise perceived to be insecure.

A material security breach could damage our reputation or result in liability. We retain confidential information, including patient health information, in our processing centers and may be required to expend significant capital and other resources to protect against security breaches or to alleviate problems caused by breaches. Any well-publicized compromise of Internet security could deter people from using the Internet or from conducting transactions that involve transmitting confidential information, including confidential healthcare information. Therefore, it is critical that these facilities and infrastructure remain secure and are perceived by the marketplace to be secure. Despite the implementation of security measures, this infrastructure may be vulnerable to physical breakins, computer viruses, programming errors, attacks by third parties or similar disruptive problems.

Our platform infrastructure and scalability are not proven and may fail to respond to new growth.

To date, we have processed a limited number and variety of transactions over our platforms and a limited number of healthcare participants have used these platforms. Our systems may not accommodate increased use while maintaining acceptable overall performance. We must continue to expand and adapt our network infrastructure to accommodate additional users, increased transaction volumes and change payer and provider customer requirements. This expansion and adaptation will be expensive and may divert our attention from other activities.

We may encounter risks associated with new product development.

Our performance depends in large part upon our ability to provide the increasing functionality required by our customers through the timely development and successful introduction of new products and enhancements to our existing suite of products. We have historically devoted significant resources to product enhancements and research and development and believe that significant continuing development efforts will be required to sustain our operations and integrate the products and technologies of acquired businesses with our products. There can be no assurance that we will successfully or in a timely manner develop, acquire, integrate, introduce and market new product enhancements or products, or that product enhancements or new products developed by us will meet the requirements of hospitals or other health care providers and payers and achieve or sustain market acceptance.

Technology may change faster than we can update our applications and services.

Healthcare information exchange and use of the Internet for practice management is a relatively new and evolving market. The Internet and online commerce markets are

characterized by rapid technological change, changes in user and customer requirements, frequent new product and service introductions embodying new technologies and the emergence of new industry standards and practices. We may be unsuccessful in responding to technological developments and changing customer needs. In addition, our applications and services offerings may become obsolete due to the adoption of new technologies or standards.

Our performance will depend, in part, on our ability to continue to enhance our existing services, develop new technology that addresses the increasingly sophisticated and varied needs of our prospective customers, license leading technologies and respond to technological advances and emerging industry standards and practices on a timely and cost-effective basis. The development of our software and other proprietary technology entails significant technical and business risks. New services or features that we provide may contain errors, and we may need to modify the design of these services and features to correct errors. If customers encounter difficulty with or do not accept new services or features, they may buy from our competitors and our sales may decline.

We could be adversely affected by Internet regulation, healthcare regulation, and regulation by the U.S. Food and Drug Administration.

Laws and regulations may be adopted with respect to the Internet or other online services covering user privacy, patient confidentiality and other issues, including: pricing, content, copyrights and patents, distribution, characteristics, and quality of products and services. We cannot predict whether these laws will be adopted or how they will affect our business. Any legislation or regulations of this nature could affect the way we conduct our business, particularly in our collection or use of personal information, and could harm our business. The adoption of any additional laws or regulations regarding Internet commerce and communications may decrease the growth of the Internet or commercial online services, which could, in turn, decrease the demand for our products and services and increase our cost of doing business. The applicability to the Internet of existing laws governing issues such as property ownership, copyright, defamation, obscenity, and personal privacy is also uncertain. We may be subject to claims that our services violate such laws. Due to the global nature of the Internet, it is possible that the governments of other states and foreign countries might attempt to regulate our transmissions or prosecute us for violations of their laws. We might unintentionally violate such laws. We may host any of a wide variety of services that enable individuals and companies to exchange information, conduct business and engage in various online activities. Claims could be made against us, as the provider of online services, for defamation, negligence, copyright or trademark infringement, personal injury or other theories based on the nature and content of information that may be posted online by our users. Further, activities on or using the Internet have come under increased scrutiny, including increased investigation in the healthcare arena by the Federal Trade Commission and heightened media attention. Such regulation of the Internet could have a material adverse effect on our business, operating results and financial condition.

We are subject to extensive regulation relating to the confidentiality and release of patient records, and it may be expensive to implement security or other measures to comply with new legislation and final regulations. We may also be restricted or prevented from

maintaining or delivering patient records electronically, which would have an adverse effect on our business.

We have attempted to design our services so that our computer applications and software are not considered to be medical devices. However, the FDA may take the position under existing or future law that our services are subject to FDA regulation. In addition, we may expand our services in the future to areas that subject them to FDA regulation.

We are vulnerable to communications system interruptions. If communications were interrupted, our operations could be harmed.

We will maintain our web servers and data processing facilities in Baton Rouge, Louisiana. Although we maintain redundant backup servers, all of our data servers are located in the same physical facility and are vulnerable to interruption by damage from fire, earthquake, flood, power loss, telecommunications failure, break-ins and other events beyond our control. In the event that we experience significant system disruptions, our business will be harmed. We currently do not maintain business interruption insurance that would reimburse us for all losses that may occur as a result of any future service interruptions. Although we plan to implement network security measures and firewall security, our servers also will be vulnerable to computer viruses, physical or electronic break-ins, attempts by third parties to overload our systems and similar disruptive problems. Any of these disruptions could lead to interruptions, delays and loss of data or interruptions in delivery of service to our customers.

We may not be able to protect and enforce our intellectual property and proprietary rights, which could impair our competitive position.

Our ability to compete depends upon our proprietary systems and technology. While we rely on trademark, trade secret and copyright law, confidentiality agreements and technical measures to protect our proprietary rights, we believe that the technical and creative skills of our personnel, continued development of our proprietary systems and technology, brand name recognition and reliable support are more essential in establishing and maintaining a leadership position and strengthening our brand. As part of our confidentiality procedures, we generally enter into confidentiality agreements with our employees and consultants and limit access to our trade secrets and technology. Despite our efforts to protect our proprietary rights, unauthorized parties may attempt to copy aspects of our services or to obtain and use information that we regard as proprietary. Policing unauthorized use of our proprietary rights is difficult. The agreements we have entered into to prevent misappropriation of technology may not be enforceable. Misappropriation of our intellectual property or related potential litigation would harm our business, financial condition and results of operations. Litigation may be necessary in the future to enforce or protect our intellectual property rights or to defend against claims of infringement or invalidity. These claims, even if not meritorious, could be expensive and divert management's attention from our operations. If we become liable to third parties for infringing their intellectual property rights, we could be required to pay a substantial damage award and to develop non-infringing technology, obtain a license or cease selling the applications that contain the infringing intellectual property. We may be unable to develop non-infringing technology or obtain a license on commercially reasonable

terms, or at all. In addition, we may not be able to protect against misappropriation of our intellectual property.

We face risks related to hospital and managed care markets.

Substantial portions of revenues have been and are expected to be derived from the sale of software products and services to medical providers. Consolidation in the healthcare industry could cause a decrease in the number of existing or potential purchasers of our products and services, which could adversely affect our business.

The healthcare industry in the United States is subject to changing political, economic and regulatory influences that may affect the procurement practices and operations of healthcare organizations.

We could be sued as a result of content provided on our web site, which could be expensive and time consuming to defend.

We could be subject to third-party claims based on the nature and content of information supplied on our web site by us or third parties, including content providers, medical advisors or users. We could also be subject to liability for content that may be accessible through our web sites or third party web sites linked from our web sites or through content and information that may be posted by users in chat rooms or bulletin boards. Even if these claims do not result in liability to us, investigating and defending these claims could be expensive and time consuming and could divert management's attention away from operating the business.

Investors will have limited ability to influence management.

Depending on how many shares are issued resulting from this offering, investors acquiring the Shares may hold a minority status in our company. As the holders of a majority of Common Stock, Ricardo Marcos, Jr., William Davis and Jose S. Canseco together have the ability to select Directors.

We will incur significant expense to acquire subscribers and promote our services.

We intend to use a significant portion of the proceeds from the sale of our capital stock to fund branding and advertising, including promotional arrangements. Agreements and promotional arrangements with strategic partners often require payments in various forms, including royalties, license fees and other significant guaranteed amounts on a per subscriber or a minimum dollar amount basis over terms ranging from one to three years. Some of these payments must be made whether or not we ever use services under these agreements and must also fund certain rebates and costs that our strategic partners offer and incur in connection with the promotion of our company.

We will rely on strategic relationships to generate revenue.

To be successful, we must establish and maintain strategic relationships with leaders in a number of healthcare industry segments. This is critical to our success because we

believe that these relationships will enable us to: (1) extend the reach of our applications and services to the various participants in the healthcare industry; (2) obtain specialized healthcare expertise; (3) develop and deploy new applications; (4) further enhance our brand; and (5) generate revenue. Entering into strategic relationships is complicated because some of our current and future strategic partners may decide to compete with us and some strategic relationships may put us in competition with our existing business partners or customers. In addition, we may not be able to establish relationships with key participants in the healthcare industry if we have established relationships with competitors of these key participants. Consequently, it is important that we are perceived as independent of any particular customer or partner. Moreover, many potential partners may resist working with us until our applications and services have been successfully introduced and have achieved market acceptance. As we establish strategic relationships, we will depend on our partners' ability to generate increased acceptance and use of our platform, applications and services. To date, we have established only a limited number of strategic relationships and these relationships are in the early stages of development. These companies have limited experience in establishing and maintaining strategic relationships with healthcare industry participants. If we lose any of these strategic relationships, fail to obtain modifications of existing relationships, or fail to establish additional relationships, or if our strategic partners fail to actively pursue additional business relationships and partnerships, we would not be able to execute our business plan and our business would suffer significantly.

Insurance

Although we expect to carry general liability insurance, any such insurance may not cover potential claims against us or may not be adequate to indemnify us for all liability that may be imposed. It may be impossible or impractical for us to purchase insurance to cover some of our potential exposure. This will expose us to risks and expenses relating to uncovered or under covered exposures.

This offering circular contains forward-looking statements.

This offering circular contains "forward-looking statements." The words "expect," "believe," "anticipate," "project," "estimate," predict," "intend" and similar expressions are intended to identify forward-looking statements. Such statements involve risks, uncertainties and assumptions, many of which are outside the control of the Company. These statements appear in a number of places and include statements regarding our plans, beliefs or current expectations, including those plans, beliefs and expectations of our officers and directors with respect to, among other things:

- budgeted capital expenditures;
- our future financial condition or results of operations; and
- our business strategy and other plans and objectives for future operations.

When considering such forward-looking statements, you should keep in mind the risk factors and other cautionary statements in this offering circular. We made numerous

assumptions in preparing projections and many of these assumptions may turn out to be wrong. The risk factors noted in this offering circular and other factors noted throughout this offering circular, the accompanying offering circular and the information incorporated by reference, including certain risks and uncertainties, could cause our actual results to differ materially from those contained in any forward-looking statement. Numerous uncertainties are inherent in establishing a new business, especially in the relatively new market of internet based physician office management software. All forward-looking statements attributable to us are expressly qualified in their entirety by this cautionary statement.

PLAN OF DISTRIBUTION

We are offering 1,675,000 shares of common stock (\$0.0004 par value) at a price of \$2.40 per share ("Shares") in accordance with Regulation A under the Securities Act of 1933. The Shares are not restricted and may be freely resold. We are making this offering on a "best efforts basis" and there is no minimum number of Shares that must be sold. We can give no assurance that all or any of the Shares will be sold. No escrow account is being established, and all subscription funds will be paid directly to the Company. We have not engaged any underwriters.

Our executive officers, William Davis, Jose Canseco, and William Ellison are selling the Shares on behalf of the Company. They are selling the shares in reliance with the federal safe harbor from broker-dealer registration set forth in Rule 3a4-1 under the Securities Exchange Act of 1934 (17 C.F.R. § 240.3a4-1) and the equivalent provision under Louisiana law, La. R.S. § 51:702(5)(a)(iii). They are not being paid any commissions for any sales of the Shares.

We are offering the securities by offering circular to potential investors identified by our officers and the board of directors. We are selling the Shares in minimum lots of 500 shares (\$1,200). We will offer the Shares until June 30, 2004. There will be no extensions to the offering date.

The expenses of this Offering are estimated at \$100,000. These expenses include approximately: legal fees, \$80,000, accounting fees, \$17,000, and printing fees \$3,000. If we do not sell sufficient Shares to pay the offering expenses, we will have incurred a significant amount of debt that could negatively affect our operations and financial performance. This debt would be due immediately and, although we have no agreements at this time, we believe that we could negotiate terms with our accountants and legal counsel to pay these debts over time. If we do not raise sufficient funds in this Offering, we intend to pay the offering expenses from existing cash flow.

The Company, in its sole discretion, may accept or reject any subscription for the Shares in whole or in part. Upon investing in the Company, each investor will become a shareholder in the Company, and will receive a certificate evidencing such investment.

Our Shares are considered "penny stocks" by the SEC under Rules 15g-1 through 15g-9 promulgated under the Securities Exchange Act of 1934, as amended. These regulations known as the "Penny Stock Rules" impose sales practice and disclosure requirements on

NASD broker-dealers who engage in certain transactions involving "a penny stock". A penny stock generally includes any non-NASDAQ equity security that has a market price of less than \$5.00 per share.

The additional sales practice and disclosure requirements imposed upon broker-dealers handling 'penny stocks' may discourage broker-dealers from effecting transactions in our shares, which could severely limit the market liquidity of the shares and impede the sale of our shares in the market. Under the 'penny stock' regulations, a broker-dealer selling 'penny stocks' to anyone other than an established customer or 'accredited investor' (generally, an individual with net worth in excess of \$1,000,000 or an annual income exceeding \$200,000, or \$300,000 together with his or her spouse) must make a special suitability determination for the purchaser and must receive the purchaser's written consent to the transaction prior to sale, unless the broker-dealer or the transaction is otherwise exempt. In addition, the 'penny stock' regulations require the broker-dealer to deliver, prior to any transaction involving a penny stock, a disclosure schedule prepared by the Commission relating to the 'penny stock' market, unless the broker-dealer or the transaction is otherwise exempt. A broker-dealer is also required to disclose commissions payable to the broker-dealer and the registered representative and current quotations for the securities.

To purchase Shares, please contact either of the following officers:

Jose S. Canseco Chairman of the Board 211 N. Roadway Drive New Orleans, LA 70124 (225) 343-7169 William C. Ellison Secretary & General Counsel 701 South Peters St., Suite 100 New Orleans, LA 70130 (504) 524-6597

Registration of the Stock

The Shares are not restricted. However, there is currently no public market for the Shares. We have prepared a Form 10-SB to register the Shares for trading under Section 12(g) of the Securities Exchange Act of 1934 with the Securities Exchange Commission. The Form 10-SB is not effective yet and we hope to make it effective within thirty days of the effectiveness of the Offering. Two broker-dealers, Jefferies and Company and Credit Research and Trading, have indicated that they will file the necessary forms (the Form 211) with the OTC Bulletin Board to register the stock for trading and make a market in that stock. We expect the market for the Shares on the OTC Bulletin Board to open within sixty days that the Offering is effective. Although Jefferies and Company and Credit Research and Trading will make a market in the stock, there may not be sufficient liquidity in the market to ensure that all sale or purchase offers can be completed.

Determination of the Offering Price

Prior to this Offering, there has been no market for our common stock. As no underwriter has been retained to offer our securities, the offering price of the Shares was not determined by negotiation with an underwriter as is customary in underwritten public offerings. The offering price has been determined by our board of directors based primarily

upon the price of shares of common stock in private offerings before this Offering, which was arbitrarily decided.

In the last two years, we have sold 570,000 shares in private offerings at a price of \$0.50 per share, which when adjusted to account for the effect of the reverse stock split would be 142,500 shares at a price of \$2.00 per share. The board of directors arbitrarily increased the offering price for the Shares from \$2.00 per share, the price for the shares in the prior private placements, to \$2.40 per share in this offering.

Dilution

You will suffer an immediate dilution in your investment if you purchase the Shares. The net tangible book value per share before the offering was \$0.03 per share as of September 30, 2003. The net tangible book value per share after the offering will increase to between \$0.03 (assuming no shares sold) and \$0.94 (assuming that the full offering is subscribed). We have included a chart below that shows the effect of the sales of different amounts of shares on the book value. The initial public offering price is significantly higher than the per share as adjusted, pro forma net tangible book value of our common stock, which is currently \$0.03 per share. Although you will pay \$2.40 per share, the book value of your shares following the completion of the offering at most will be \$0.94 per share. Accordingly, you will suffer an immediate dilution of at least \$1.46 per share.

As of September 30, 2003, we had 10,737,912 shares of common stock in the Company outstanding. After the reverse stock split, we have 2,684,478 shares issued and outstanding. The amount of dilution depends on the number of shares sold. The effect of the dilution is set forth in the table below assuming 100 percent, 75 percent, 50 percent and 25 percent of the Offering was sold.

Amount of Offering Sold by Percent	100%	75%	50%	25%
By Amount	\$4,020,000	\$3,015,000	\$2,010,000	\$1,005,000
Number of Shares Sold	1,675,000	1,256,250	837,500	418,750
Number of Total Shares Outstanding	4,359,478	3,940,728	3,521,978	3,103,228
Book Value	\$4,097,322	\$3,092,322	\$2,087,322	\$1,082,322
Book Value/Share	\$0.94	\$0.78	\$0.59	\$0.35
Increase in Book Value attributable to sale of Shares	\$0.91	\$0.76	\$0.56	\$0.32
Immediate Dilution/Share	\$1.46	\$1.62	\$1.81	\$2.05

The table below, as of September 30, 2003, compares the amount and percent of shares purchased by current shareholders for either cash or services with the amount and percent of shares purchased by new investors following the Offering assuming 25%, 50%, 75% and 100% subscription levels.

Percentage Offering		Shares Purchased Total Consideration		eration	Average Price per	
Subscribed		Number	Percent	Amount	Percent	Share
100%	Current shareholders	2,684,478	62%	\$ 1,340,207.00	25%	\$ 0.50
	New investors	1,675,000	38%	\$ 4,020,000.00	75%	\$ 2.40
	Total	4,359,478	100%	\$ 5,360,207.00	100%	\$ 1.23
75%	Current shareholders	2,684,478	68%	\$ 1,340,207.00	31%	\$ 0.50
	New investors	1,256,250	32%	\$ 3,015,000.00	69%	\$ 2.40
	Total	3,940,728	100%	\$ 4,355,207.00	100%	\$ 1.11
50%	Current shareholders	2,684,478	76%	\$ 1,340,207.00	40%	\$ 0.50
	New investors	837,500	24%	\$ 2,010,000.00	60%	\$ 2.40
	Total	3,521,978	100%	\$ 3,350,207.00	100%	\$ 0.95
25%	Current shareholders	2,684,478	87%	\$ 1,340,207.00	57%	\$ 0.50
	New investors	418,750	13%	\$ 1,005,000.00	43%	\$ 2.40
	Total	3,103,228	100%	\$ 2,345,207.00	100%	\$ 0.76

USE OF PROCEEDS

With the use of proceeds from the offering, we will be focusing on four strategic goals. First, we will be expanding our sales and marketing efforts by adding additional inside sales personnel in our Baton Rouge corporate office, coupled with outside sales personnel in new regional markets. The inside sales employees will be utilized for generating sales leads in the new markets that are to be followed up by the sales people in the field. Secondly, we will be building our infrastructure in order to accommodate the new sales generated by these efforts. This infrastructure will consist of funding the purchase of new equipment as well as the hiring of additional resources for the support of the product and the general administration of the Company. Third, we will continue our devotion to research and development by hiring additional programmers to enhance our existing products as well as perform development of new products and services. And finally, we will use the funds to retire the Company's debt and accrued expenses.

The extent to which we fund these efforts will depend largely upon how much capital is raised in the public offering. We hope to be successful in raising the full \$4 million in the offering; however, we have developed a funding strategy based upon the actual level of funding that is raised. We have broken these into four levels at 25%, 50%, 75% and 100% of the total offering of \$4 million and categorized these figures based upon a 12-month implementation plan as set forth in the table below. At funding levels of 25% and up, the first priority will be to retire the existing debt and accrued expenses of the Company, and then begin funding our sales and distribution strategies along with the necessary infrastructure upgrades and personnel needed to implement those strategies. In the event that we raise less than 25% of the total offering, however, we will not retire any debt to officers and directors or pay any accrued expenses until other debts and startup expenses have been paid and funded. Our order of priority in this event, depending upon how much funding is actually acquired, is the following: 1) pay for the expenses related to the offering itself; 2) purchase necessary hardware and equipment upgrades to support a growing infrastructure; 3) fund salaries for

new sales personnel in Baton Rouge, Atlanta, and Houston; 4) implement a company health and benefit plan; 5) retire all company debt and accrued expenses; and 6) lastly, fund salaries for two additional programmers, the CEO, a bookkeeper, and a receptionist.

At a funding level of 25% of the total offering, we plan to hire two new programmers, two inside sales employees, a bookkeeper, a receptionist, one salesperson in Atlanta, GA, one salesperson in Houston, TX, and also fund the salary for the CEO. Additionally, we will fund an advertising and marketing campaign as well as attend at least one national trade show. At this level, we do not anticipate needing additional office space and we will also fund new equipment purchases conservatively by purchasing only the necessary hardware and equipment needed to sell, support, and deploy our applications and services. We will also use proceeds to fund a company benefit plan and cover other expenses such as travel, employee education, Internet data lines, and other operational expenses. Finally, at this level, we will reserve at least \$18,772 for working capital to cover any extra incidental expenses related to marketing, distribution, and operations.

At a funding level of 50% of the total offering, we will extend our sales and marketing efforts by hiring three inside sales employees in addition to hiring at least two sales people in Atlanta and Houston each. We will bolster R&D by hiring four programmers and a Vice President of R&D. We will also hire and fund several executive level positions including CEO, CFO, Vice President of Finance, and Vice President of Policy & Planning, as well as other organizational positions including a bookkeeper, receptionist, and an Operations Manager. Marketing efforts will be expanded by attending at least two trade shows in addition to increasing our advertising and direct mail campaigns. These efforts will create the need for the lease of additional office space as well as an investment in hardware and equipment at our corporate headquarters and data-center in Baton Rouge. This equipment will primarily consist of new servers and equipment to handle the additional load of new customers and employees. We plan to establish a company-wide benefit plan that includes group health insurance. We will incur and fund additional expenses related to Internet data lines, employee training and travel. At this funding level, we plan to retain at least \$149,105 in working capital in order to cover any additional expenses that may arise. In the event that the company does not exceed its budget for any of its planned expenses, we will use the working capital to expand our marketing efforts by increasing our advertising and promotional activities in our target markets.

At a funding level of 75% of the total offering, we will attempt to expand our direct reach into four new markets including Atlanta, Houston, and two other not-yet identified regions. Each new sales region will include two salespersons. Five inside sales positions will be created in Baton Rouge to supply the salespeople in the field with qualified leads and assist with the coordination and process of each new sale. Several executive level positions will be funded including: CEO, CFO, Vice President of Finance, and Vice President of Policy & Planning. Other operational positions will be funded including an Operations Manager, receptionist, bookkeeper, and executive secretary. Research and Development will be expanded significantly with the hiring of a Vice President of Research and Development and five new programmers. We will incur increased marketing expenses as we attempt to project our brand name and recognition across these new markets. We will also attend at least two

national level trade shows in order to begin to create exposure on a national scale. As a result of these efforts, we will be funding additional expenditures such as rent, communications, and new hardware and equipment. We will also establish a company-wide benefit plan that includes group health insurance. We plan to retain at least \$310,495 in working capital in order to fund miscellaneous overhead that may be incurred from these operations. If we are successful in reaching our sales goals and do not exceed our planned budgets for the first year of operations, we plan to use the working capital to expand our marketing efforts in our targeted regions in addition to exploring the possibility of identifying and pursuing new target regions for the marketing and distribution of our products and services. Additionally, we plan to utilize a portion of funds to seek out and potentially acquire other entities that may help us quickly recognize new customers and revenue. Potential acquisition candidates may include other small software companies, billing companies, and distributors of physician related products and services.

If we are successful in raising 100% of the offering, we will use the proceeds to expand on a larger scale our sales, marketing, distribution, and R&D efforts. We will focus on expanding our sales and marketing efforts into six new regions, including Atlanta, Houston, and four not-yet identified regions. Each sales region will consist of at least two salespeople in the field who will be backed up and supported by seven new inside salespeople in Baton Rouge. Research and Development personnel will be expanded to include seven new programmers and a Vice President of Research and Development. Other executive, administrative, and operational positions that will be funded with these proceeds will be: CEO, CFO, COO, Vice President of Finance, Vice President of Policy & Planning, Operations Manager, a bookkeeper, two receptionists, and two executive secretaries. Advertising and public relations will be expanded significantly to project the recognition of our products and services, not only in each of the new sales regions, but on a national scale as well. We will attend at least two national trade shows and attempt to acquire national-level recognition of the *Medtopia* brand name. Hardware and other equipment costs will be funded by the proceeds of the offering in addition to other related operational expenses such as rent. telephone costs, cellular phones, and data T1 lines.

We plan to use a portion of the funds to seek out and potentially acquire other companies that provide physician-related products and services. We hope to utilize these potential acquisitions to help us rapidly expand our customer base and revenue if the right target can be identified. Potential acquisition candidates may include other small software companies, billing companies, and distributors of physician related products and services. We have set aside \$497,463 in working capital to help cover any unanticipated expenses with the marketing and distribution plan, or to offset any other incidental expenses that are incurred. In the event that we do not exceed any of our planned budgets, we plan to utilize the working capital to expand our marketing efforts through increased advertising as well as by identifying and pursuing new regional markets.

As discussed above, in the event that we raise at least 75% of the offering, we plan to use a portion of the proceeds from the offering to seek out potential acquisitions with other companies. We have not yet identified any potential acquisitions other than the *types* of companies that we are interested in acquiring. Once the funding has been obtained, we will

begin looking at targets that would reap at least one of three benefits for MD Technologies: increased revenue, increased customer base, and a proprietary technology. The types of companies that may fit into one of these categories are companies that provide billing and accounts receivable management to physicians, as well as other software companies that may provide a component of technology that will greater enhance one of our existing products or potential future products. We have not entered into any arrangements, preliminary or formal, with any companies or individuals to date. Nor have we begun to seek out these types of companies. Once the funding from the offering has been obtained, we will begin the process of attempting to identify these companies and startup negotiations. In the event that an acquisition target is not identified, the funds that are budgeted for this purpose will be utilized for working capital for the purpose of expanding our sales and marketing activities.

As discussed above, a portion of the offering proceeds, depending on the amount raised, will be used to pay future and accrued executive salaries. In summary, three executives who are also directors and officers of the Company will rely upon proceeds of the offering to fund their salaries. William D. Davis, the President and CEO and a Director, will receive an annual salary of \$60,000 if the Company is successful in raising at least 25% of the full offering. If the Company is successful in raising 50% or more of the total offering, Mr. Davis will receive an annual salary of \$102,000. Jose S. Canseco, the Chairman of the Board of Directors and a Vice President, will not draw a salary if the Company does not raise at least 50%. If the Company raises 50% or 75% of the offering, he will receive an annual salary of \$42,000. If the Company raises the full 100% of the offering, Mr. Canseco will receive an annual salary of \$97,000. Similarly, Terry Jones, Vice President of Finance and a Director, will receive an annual salary of \$95,000 if the Company raises 50% of the offering. Mr. Davis, Mr. Canseco, and Mr. Jones have employment contracts with the Company and are eligible for consideration of raises and bonuses at the discretion of the Board of Directors. Additionally, a portion of the offering proceeds will be used to pay the accrued salary of the Executive Vice-President of Sales & Marketing, Joe Palazzo. As of September 30, 2003, he has accrued \$27,500 in salary and continues to accrue \$2,500 per month. Upon raising at least 25% of the offering, he will be paid his full salary from existing company revenue and will receive a lump-sum payment for all accrued salary, which will come from the proceeds of the offering.

Amount of Offering Sold by Percent	100%	75%	50%	25%
Amount of Offering Sold by Amount	\$4,020,000	\$3,015,000	\$2,010,000	\$1,005,000
Salaries & Wages	\$1,895,600	\$1,512,600	\$1,060,200	\$385,200
Advertising and Public Relations	\$244,000	\$106,200	\$63,000	\$30,500
Accrued expenses (including salaries and rents) (1)	\$90,045	\$90,045	\$90,045	\$90,045
Debt Retirement	\$221,145	\$221,145	\$221,145	\$221,145
Rents	\$102,000	\$50,400	\$50,400	\$0
Communications/Internet Access	\$70,680	\$53,100	\$36,000	\$28,560
Equipment & Hardware	\$94,400	\$83,000	\$77,400	\$37,000
Expenses of Offering	\$100,000	\$100,000	\$100,000	\$100,000
Payroll Expenses	\$163,067	\$128,815	\$81,105	\$39,378
Healthcare & Emp. Benefits	\$79,200	\$59,400	\$43,200	\$28,800
Supplies	\$26,400	\$19,800	\$14,400	\$9,600
Travel	\$24,000	\$20,000	\$16,000	\$12,000
Education & Training	\$12,000	\$10,000	\$8,000	\$4,000
Acquisitions	\$400,000	\$250,000	\$0	\$0
Working Capital	\$497,463	\$310,495	\$149,105	\$18,772
Total use of proceeds	\$4,020,000	\$3,015,000	\$2,010,000	\$1,005,000

⁽¹⁾ This amount includes \$27,500 in accrued salary for Joe Palazzo.

In addition, we intend to use a portion of the proceeds to retire approximately \$221,000 of debt that is owed to certain officers and directors. A listing of said debt is found in the table below.

Payee	Loan Amount	Date	Interest Rate	Maturity Date	Outstanding Balance as of 9/30/03	Use of proceeds
SBL Capital Corp. (1)	\$30,000	11/15/01	18%	12/1/06	\$17,050.66	Operational Expenses
William C. Ellison	\$100,000	12/12/01	12%	6/30/04	\$100,000.00	Refinance Previously Matured Debt That Had Been Used To Pay Operational Expenses
Jose S. Canseco	\$36,945	6/24/02	8%	On Demand	\$40,635.00	Operational Expenses
William D. Davis	\$35,101	7/9/02	8%	On Demand	\$38,377.45	Operational Expenses
Tommy Frazer	\$25,000	8/8/03	*	3/8/04	\$25,082.19	Accounting Fees and Operational Expenses

DIVIDEND POLICY

We intend to use cash in excess of the Company's needs for operations to expand our market position. We do not contemplate paying dividends at any time in the immediate future.

⁽¹⁾ Wholly owned by Terry Jones.

* The lesser of the Wall Street Journal Prime Rate or the maximum rate allowed under applicable law. The interest rate as of November 5, 2003 is 4%.

CAPITALIZATION

The following table sets forth: (1) the capitalization of MD Technologies as of December 31, 2002; and (2) the capitalization of MD Technologies as of September 30, 2003. You should interpret the information in the table below in conjunction with the Financial Statements starting on page F-1.

	As of: Dec. 31, 2002	As of: Sept. 30, 2003
Debt:		
Short-term debt (average interest rate 9.4%)	\$13,612	\$13,612
Due to Related Party	\$172,046	\$197,046
Long-term debt (average interest rate 18%)	\$20,732	\$12,608
		·
Total debt	\$206,390	\$223,266
Stockholders equity (deficit):		
Preferred stock (no par value)	\$0	\$0
Common stock (par value 0.0004)	\$187	\$211
Additional paid in capital	\$1,220,252	\$1,340,207
Retained earnings (deficit)	\$(1,232,518)	\$(1,520,736)
Total stockholders equity (deficit)	\$(12,079)	\$(180,318)
Total Capitalization	\$194,311	\$42,948

DESCRIPTION OF BUSINESS

History

The founders of MD Technologies began developing software solutions for the healthcare industry in 1993. Initial development of the *Medtopia* application began in early 1995 when the founders of the Company decided that the emerging growth of the Internet introduced a significant opportunity to create innovative solutions for the healthcare industry. The Medtopia application, and all intellectual property rights associated therewith was originally created by LISTech, Inc., a company owned by William Davis and two other partners that was incorporated in the state of Louisiana on January 4, 1993. As the owner of the Medtopia source code, LISTech granted an exclusive license to MD Technologies, L.L.C., a Louisiana limited liability company which was formed by our founders on April 15, 1996 for the purpose of selling and marketing this product to the healthcare industry, pursuant to that certain Software License Agreement dated January 11, 1996. After several years of modifications and re-engineering the product, Medtopia went live on the Internet with its first physician in November of 1998. We believe that, at the time, Medtopia was the only completely web-based practice management system on the Internet. Our founders struggled to find customers willing to use the product, as the Internet was a relatively new and unproven medium for business applications. Likewise, the idea of businesses storing their data on remote servers and renting, rather than purchasing, their applications was a relatively foreign concept. However, as the Internet became more ubiquitous and generally accepted as a

business medium over the following two years, we began to find more and more customers willing to embrace the technology and the product.

Recognizing the need for assistance to adequately develop our applications and implement a realistic distribution plan, our founders incorporated MD Technologies Inc. on February 25, 2000, in the State of Delaware, in order to raise capital to exploit Medtopia at a time they felt that the industry was more accepting of Internet based applications. At the time of incorporation, LISTech, Inc. and MD Technologies, L.L.C. assigned all of their rights, title and interest in the *Medtopia* application and the intellectual rights associated therewith to the newly incorporated entity, pursuant to that certain Agreement between MD Technologies Inc., MD Technologies, L.L.C. and LISTech, Inc., dated effective February 28, 2000. Neither LISTech nor MD Technologies, L.L.C. received cash consideration for this transaction; however, LISTech and the other principal owners of MD Technologies, L.L.C. became the founding shareholders when MD Technologies Inc. was incorporated, receiving an aggregate of 7,668,000 shares of common stock in the Company (1,917,000 shares after giving effect to the reverse stock split). Subsequently on July 9, 2003, LISTech, Inc. and MD Technologies Inc. merged, pursuant to which merger MD Technologies Inc. was the surviving corporation and the separate corporate existence of LISTech, Inc. ceased. At this point, LISTech, Inc. was merely a holding company for MD Technologies Inc. shares and the purpose of the merger was to eliminate LISTech, Inc. as a holding company. Accordingly, there was no consideration paid as a result of the transaction. In effect, 3,825,000 shares of MD Technologies Inc. owned by LISTech (956,250 shares after giving effect to the reverse stock split) were transferred to the shareholders of LISTech in exchange for their 950 shares in LISTech. All shares of stock of LISTech were cancelled. We remained in a research and development mode until January 2001, when we announced that we had entered into a research affiliation with Emory Healthcare in Atlanta. At that time, we had 11 customers representing 21 physician and healthcare providers using *Medtopia*, despite having only a part-time sales person. We increased sales and marketing efforts in the last quarter of 2001 and began implementing our business plan while focusing and refining our sales, deployment and installation strategies.

Since January 2002, we have been steadily meeting our sales goals, adding an average of two new customers per month. We, and our products, continue to evolve and improve with each new customer. As of September 30, 2003, we have acquired 78 customers representing over 160 providers.

Emory Healthcare Relationship

On December 13, 2000, we entered into two agreements with Emory Healthcare ("Emory") in Atlanta, Georgia.

The first agreement, entitled "Joint Development and License Agreement", provides for an 18 month license of our *MyMedtopia* application for use by Emory in its systemwide healthcare web portal. In October of 2001 we embedded *MyMedtopia* on Emory's web portal and it has been in use since that time. The license agreement has expired and we are currently in negotiations with Emory for a renewal of that license. This agreement also gives Emory the right to test our *Medtopia* application in a live setting in one or more of their practice areas.

In April of 2001, the Emory Rehabilitation Center for Medicine began using the scheduling component of *Medtopia* for its 30 physical therapists. This application continues in use today. We do not generate any revenues from the use by Emory of *Medtopia* at this time and we are currently in negotiations with Emory on this issue. Our agreement with Emory also provides for the collaboration between Emory and us in order to develop new applications. This relationship calls for our company to provide the IT expertise and Emory to provide the clinical expertise of up to 20 hours per week to jointly collaborate in the creation of new applications or the improvement of existing applications. To date the only application in which we have collaborated with Emory has been the modification of *Medtopia's* appointment scheduler in order to make it useful for physical therapists in a rehabilitation hospital setting. As opportunities are identified and prioritized, we anticipate taking advantage of this agreement and collaboration with Emory in future development of new applications and/or the improvement of our current applications.

We are currently in negotiations with Emory Healthcare to establish a fee for the use by Emory of our applications. Although the Joint Development and License Agreement with Emory has expired and Emory is not currently paying us a fee for use of our applications, we continue to derive benefits from the Emory relationship. These benefits are threefold. First, we continue to refine our applications and product features as a result of our ongoing dialogue with Emory. Second, Emory Healthcare's continued use of our products lends credibility to our products and is an extremely valuable asset to the company due to its reputation and dominant presence in Atlanta, one of our expansion markets. The relationship with Emory Healthcare already has helped us establish credibility with new customers in Louisiana. Third, we hope that Emory will be an important source of referrals in the Atlanta market.

Our second agreement with Emory, entitled, "Stock Purchase Agreement" was entered into as consideration for the first agreement. By this agreement, Emory became a shareholder of our company and was issued 450,000 shares (112,500 shares after giving effect to the reverse stock split) of common stock of our company.

Emory Healthcare is the most comprehensive health care system in metropolitan Atlanta. It includes The Emory Clinic, the Emory Children's Center, Emory University Hospital, Crawford Long Hospital, Wesley Woods Center, the jointly owned Emory-Adventist Hospital, and EHCA, LLC, a limited liability company created in collaboration with HCA The Healthcare Company. Emory Healthcare has 2,330 licensed patient beds. In addition to its own 14 primary and specialty health care centers located throughout metro Atlanta, Emory Healthcare has affiliations with 48 communities throughout Georgia and neighboring states. These comprise a network representing more than 68 hospitals and 6,000 physicians. Emory accounted for 43% of our revenues during our second year of operations (2001), 15% of our revenues for the year ended December 31, 2002, and 0% of our revenues during the interim financial period in 2003, with the decrease in revenues occurring as a result of the expiration of the Company's Joint Development and License Agreement with Emory on December 12, 2002.

Company Vision

Since our inception, our management team has followed two underlying principles: (1) over time, nearly all software business applications will become Internet hosted and managed; and (2) an unwavering dedication to customer service and support will drive customers to us and earn their long-term loyalty. These two principles have guided all our actions since our inception.

Our early lead in the development of Internet-based applications has afforded us a distinct advantage over many competitors who have yet to embrace or adopt the Internet as a medium for their applications. *Medtopia* maintains a price and serviceability advantage over such competitors since we build, host and manage the application for the customer. For example, the product can be delivered to the customer instantaneously and upgraded continuously and imperceptibly. Modifications are applied immediately and typically with no interruption to the customer. The customer's data is always backed up and stored off-site, keeping it safe from natural and unnatural disasters. Back-end processes, such as electronic claims processing and data backups, are performed in the background by trained *Medtopia* staff and are usually unnoticed by the customer. These benefits, and others, create a product that is less intrusive to the customer, and easier to service and maintain by us.

An Internet hosted application also creates a price advantage over many of our competitors. Since *Medtopia* is delivered and modified quickly and efficiently via the Internet, *Medtopia* is more cost-effective than many other companies' products. Customer support is enhanced and made more cost effective since all customers use the same version of *Medtopia*. Our subscription fee includes technical support. Some of our competitors' monthly costs for technical support alone exceed the **total** *Medtopia* subscription fee.

We have a policy of always attempting to answer a service and support call with a live person *before* the third ring of the telephone. We strive to set a new standard by which others will be measured. The *Medtopia* support staff is friendly, knowledgeable and dedicated to helping customers with problems and questions. Our management has great confidence in our support team and continues to explore ways to improve their effectiveness.

These principles and philosophies have molded our history to date, and we believe that a continued devotion to this vision will ensure our success in the future.

Healthcare Industry

Healthcare is a vital part of the United States economy and is critical to every citizen. However, healthcare has yet to fully benefit from the technology revolution that is changing other industries. We believe that advanced information technology will have a fundamental impact on healthcare delivery, payment and personal health management. This revolution will be significant because it will help solve key problems facing the industry: improving patient safety, reducing costs, improving the quality of care, and improving the efficiency of processes for coordinating and paying for healthcare. The convergence of the Internet and healthcare management is a new and evolving paradigm in healthcare management. The market opportunities created by this convergence are expected to expand rapidly.

Cost of healthcare in the United States has been climbing. In 1960 total healthcare expenditures were \$26 billion, or 5.1 percent of the gross domestic product (GDP). By 2000 total healthcare costs had climbed to \$1.3 trillion and represented 15.9 percent of GDP. See, Health, United States, 2001, with Urban and Rural Health Chartbook, published by the U.S. Department of Health and Human Services through the Centers for Disease Control and Prevention. Healthcare costs continue to escalate. According to the United States Center for Medicare & Medicaid Services, formerly the Health Care Finance Administration ("HCFA"), healthcare expenditures in 2006 will exceed \$1.6 trillion. Approximately 70 percent of healthcare transactions today are paper-based, resulting in administrative costs of up to 20 percent of each dollar spent. It was the need to reduce these costs that, at least in part, led to Healthcare Insurance Portability and Accountability Act of 1996 ("HIPAA"). In the United States, the yearly cost of processing and administering claims is about \$90 billion. Some healthcare industry analysts believe the \$90 billion in administrative costs could be reduced to \$5 billion, or less, by moving from a paper-based system to digital systems. See, Healthcare Without Boundaries: Integration Technology for the New Healthcare Economy, February, 2003, Microsoft Corporation White Paper. McKinsey and Company, an international management consulting firm, reports that "[T]he U.S. health care industry is huge—with annual expenditures of more than a trillion dollars—but extremely fragmented: more than half of approximately 600,000 physicians engaged directly in patient care work in practices of eight physicians or fewer."

In the United States there are more than 600,000 physicians, the majority of whom practice in office base groups or in solo practices. See, *American Medical Association Physician Masterfile*, Dec. 2000. MD Technologies specifically targets these practices and has begun to penetrate this vast market.

The healthcare industry is clearly a troubled industry and is being choked by excessive paperwork and inefficiencies, but this has created enormous business opportunities for those companies who can provide solutions to eliminate these inefficiencies.

Products and Services

Our products and services are designed to provide advanced technological solutions to healthcare providers in an attempt to assist them with their business and clinical processes. All products are developed internally without the assistance of outside programmers or consultants. Our existing products include *Medtopia*, *MyMedtopia*, *MedtopiaMobile*, and *Medtopia Billing and Accounts Receivable Management*. These four products are designed such that they can be packaged and sold independently of one another. However, these products are more specifically designed to complement each other in functionality. Customers can employ all four products in a single solution and maximize their efficiency and productivity.

To date, we have generated our revenues from our four existing products and services, *Medtopia, MedtopiaMobile, MyMedtopia,* and *Medtopia Billing and Accounts Receivable Management.* Since *MedtopiaMobile* is still undergoing beta testing, revenues from that

application have been limited. The following table summarizes our revenues by application from inception until September 30, 2003.

Application/Service	Number of customers	Percent of total revenues	
Medtopia	78	72%	
MyMedtopia	1	17%	
MedtopiaMobile	4	1%	
Medtopia Billing and Accounts Receivable Management	7	10%	

Medtopia

Medtopia is an Internet-based practice management application that enables physicians and other healthcare providers to manage their organizations online using only a web-browser. It is designed to streamline many of the day-to-day routines involved in running a medical practice, and thereby help physicians and their staff members organize their workload and increase productivity. Physicians and their employees have access to clinical and financial information from the office, home, hospital, or anywhere that an Internet connection is available. The application employs 128-bit SSL encryption, which ensures privacy throughout the entire application and adheres to HIPAA security guidelines. The application consists of several integrated features such as: appointment scheduling, patient account management, electronic claims processing, electronic remittance advice, accounts receivable management, human resource management, project management, electronic medical records, prescription writing, inventory management, and more. All of these tools are designed to work coherently in such a way as to increase productivity throughout the organization. The application also utilizes various workflow queues to assist in many of the work processes that take place in the practice. For example, there is a hospital queue for tracking and managing the admission, discharge, and billing of patients that are currently hospitalized. Similarly, there are claim queues, collection queues, appointment queues, etc. Each of the queues has been designed specifically for helping the office personnel organize information and make it easier to track and manage for maximum efficiency. Since the application and its data are hosted and managed in our data center, the *Medtopia* staff members can perform all the back-end data operations that would ordinarily require an employee of the practice to perform. These activities include sending claims electronically to payers and clearinghouses, posting electronic remittance advice, performing and monitoring EDI transactions such as electronic claim status and eligibility verifications, performing month-end closeouts, daily data backups, hardware and software upgrades, and other system maintenance. This allows the customers to focus more on their business rather than on mundane data management chores. Moreover, our trained employees are better able to monitor the data management and to manage operations in order to minimize errors. The Medtopia support staff know how to spot potential problems and take corrective action when they arise.

The recurring revenue stream from the subscriptions of *Medtopia* increases as each new customer is added to the system. While we receive up-front income from the setup and installation of a new customer, it is the recurring revenue that we count on to bolster the company's growth.

However, expenses associated with this revenue growth do not increase proportionally. Once a new customer is brought online, the maintenance of the physician's clinic is related primarily to customer support. New customer support personnel are added as necessary to provide an adequate ratio of support personnel to customers to ensure that all support issues can be handled expeditiously. Our current ratio is approximately one support person per 25 customers. This ratio will be adjusted as needed and may vary depending upon many factors such as the size of the customers added to the system and the geographic location of new customers in relation to our support staff.

Medtopia Pricing

Medtopia is offered to customers as a monthly subscription of \$350/month per physician (or provider). Additionally, there is a one-time setup cost of \$500 per provider and a \$1,200 training fee per site. The Company also offers data conversions for customers. Prices range between \$1,500 to \$8,000, depending on the data format, volume of data, and type of conversion (i.e. patient demographic, open-item, or full-detail.) The data-conversion fee is typically negotiated with the customer at the time of the sale and varies on the circumstances. The setup, training, and subscription fees can vary depending upon the number of physicians in the group, the number of physical sites, and the number of users.

MedtopiaMobile

MedtopiaMobile is a handheld application running on Microsoft® Pocket PC's that allows the physician to perform various functions while in the exam room with the patient, or while away from the office, such as when making hospital rounds. The application synchronizes with the Medtopia practice management application over the Internet and gives the physician access to medical information on his patients, such as procedure and diagnosis history, drug allergies, medications, insurance information, and medical alerts. The physician also has the ability to document a new encounter with the patient and capture all the necessary billing information to synchronize directly into the practice management application. Additionally, the application allows the physician to capture handwritten and audio notes and store them as part of the patient's permanent medical record. All information captured by the physician on the device can be synchronized immediately, or in a batch, to the Medtopia servers via the Internet.

The list of features available with *MedtopiaMobile* includes: (i) an appointment calendar for managing office appointments, hospital rounds, surgeries, and meetings; (ii) super-bills and charge-capture; (iii) prescription writing; (iv) patient medical history; (v) encounter documentation; (vi) referral management; (vii) secured intranet messaging; and (viii) contact management.

Some customers may wish to deploy *MedtopiaMobile* throughout their enterprise, but may not want to use *Medtopia* as their practice management system. For these customers, we

provide a limited version of *Medtopia*, which allows them to track and manage the information via a web interface and also export *MedtopiaMobile* data to their own system.

MedtopiaMobile Pricing

MedtopiaMobile is provided to physicians for a monthly subscription fee of \$150. There is a single one-time licensing fee of \$1,500. This fee includes the MedtopiaMobile software and the creation of the online Medtopia account if the customer does not already have one.

MyMedtopia

MyMedtopia is a web-based application designed for patients to allow them to track and manage their healthcare information online. Patients can sign up to use MyMedtopia on their own, or their physician can issue an account for them. The application benefits both physicians and their patients by allowing them to share vital healthcare information while encouraging the patient to take a more proactive role in their own healthcare. The application enables patients to track information such as family histories, medical conditions, prescriptions and medications, emergency medical information, medical expenses, diet and nutrition, exercise and fitness, and upcoming appointments.

When deployed by a physician to his patients, *MyMedtopia* can prove to be an invaluable tool for enabling secured and direct communication with the patient. Similarly, the application becomes a tool for utilization by the office staff for coordinating with patients for appointments, prescription requests, and statement questions. If given access by their physician, a patient can look up their statement online and see what charges have been paid by the insurance carrier and what their responsibility is. This type of functionality can reduce the number of phone calls into the physician's practice and thereby help make the overall operation of the practice more efficient.

MyMedtopia Pricing

There is no set pricing for *MyMedtopia* at this time. We are exploring how best to utilize the functionality of this product in such a way as to eventually create a recurring revenue stream for us. The *MyMedtopia* application is currently being used by Emory Healthcare as part of the benefits offered to their patients and users of its online healthcare services.

Medtopia Billing and Accounts Receivable Management

In 2002, we began providing billing and accounts receivable management services to a limited number of customers. We currently provide these services for seven customers. We have one full time employee dedicated to servicing these customers with two other employees providing assistance on an as-needed basis. These services typically include the entering of our customers' patient encounter information into *Medtopia*. The accuracy of the billing information is verified using features built into *Medtopia* that have been especially designed for this purpose. This information is used to process claims with various insurance carriers by sending it electronically through *Medtopia* and third party clearinghouses. Once entered into *Medtopia*, our customers can track and review their accounts receivables online as well as run

real-time reports and perform their own analysis of the data using only a web-browser. We manage our customers' receivables all the way through the adjudication process until payment. Upon receiving payment confirmation, denial, or request for additional information, we post the payment to the system, provide any additional information requested, and make any adjustments if necessary. The fact that we host the customers' information and that they are intimately familiar with our application allows us to provide a higher level of service and achieve economies of scale not available to competing billing companies. This gives us a large advantage over competitors.

Medtopia Billing and Accounts Receivable Management Services Pricing

Our billing and accounts receivable management services are invoiced to customers as a percentage of actual collections. Our fees are negotiated with each of our customers depending on the level of activity expected and volume and amount of charges. Some customers prefer that our staff perform all data input functions and they provide us with hard copies of their patient encounter information. Others perform the data input themselves. Our fees range from a low of 3% to a high of 8% of collections. In most cases we can demonstrate that our fees are less than what our customers would pay for employees to perform similar services in-house. We view this component of our business model as a major growth opportunity for the Company.

MedtopiaCommerce

Medtopia serves as a platform for the facilitation of e-commerce. We can create secure electronic Internet links between vendors who sell supplies and services to physicians and the physicians themselves. Physicians will not have to leave their practice management application in order to interact with vendors and suppliers. Using the MedtopiaCommerce feature physicians will be able to purchase goods and services online from suppliers that have a presence on the physician's own office management software. Medtopia's inventory control application can be programmed to automatically order inventory as supplies are consumed, allowing the physicians to efficiently manage their inventory.

MedtopiaCommerce Pricing

We have yet to establish pricing for this proposed application. We believe that the pricing model will take one of three forms. We will either charge the vendors a flat fee for "occupying" space on the *MedtopiaCommerce* application, or we will charge the vendors a commission based on the volume of sales they make through the application. We are also considering charging our physician customers a flat monthly fee to have the *MedtopiaCommerce* application activated on their individual *Medtopia* site.

Marketing

To date, we have utilized very limited marketing efforts and a small sales force. The majority of our efforts through the first quarter of 2001 were focused on completing the *Medtopia* application and positioning our company for launch. We began attempting to prove our distribution and sales strategy in late 2001. All prior sales efforts were conducted on an extremely selective basis so as to create a small base of providers while completing

development and beta testing of the product. In January 2001, we had 21 physician/providers using *Medtopia* to manage their practices. Since then, our customer base has grown to 78, representing over 160 providers using *Medtopia*.

We are marketing to new customers by utilizing inside and outside sales strategies in addition to relying upon referrals from existing customers. We also attend local trade shows to maintain local exposure to the healthcare community and periodically perform mass mailouts of brochures and other marketing material. Telemarketing is employed when possible to generate new sales leads. When the lead is qualified, it is delivered to outside sales for a presentation and sales proposal.

The Internet also provides a good source of inquiries from new potential customers. We work to maintain the *Medtopia* product as a qualified hit under most major search engines, such as Yahoo!, Google, etc. Unsolicited incoming calls from remote locations to the sales staff are followed up with telephone presentations and mail-outs of various marketing materials. Our website address is http://www.medtopia.com.

Initial Target Market

Our company's distribution strategy is to initially expand into large metropolitan areas with numerous physicians where the market research indicates a high potential for adoption of the *Medtopia* products.

Following the Offering, we plan to target our marketing efforts at physicians practicing in the New Orleans, Baton Rouge, Atlanta, and Houston areas. Thereafter, we anticipate penetrating other large metropolitan markets such as Dallas, Miami and South Florida, Orlando, and Tampa. We will continue to identify other markets that present a good opportunity for us and our products and will compete aggressively in those markets as they are identified.

The Louisiana market will be penetrated as much as possible in order to establish a solid base of customers within the proximity of our headquarters. We hope to move into the Atlanta market quickly and attempt to take advantage of the existing relationship with Emory Healthcare, which has a strong market presence there. Additionally, our research indicates that there are over 8,000 physicians practicing in the Metropolitan Atlanta area. Atlanta is also within relatively close proximity of Baton Rouge, making it an attractive market.

The second projected expansion is into Houston, Texas, where there are large numbers of physicians in close proximity to Baton Rouge. Houston represents an opportunity to reach a large number of potential customers in a high-density market that is only 4 hours driving distance from our corporate headquarters in Baton Rouge. Additionally, Houston is home to the Texas Medical Center which is internationally recognized as one of the world's finest medical centers of patient care, research, and education.

Marketing Strategy

Within 90 days of the Offering, we expect to open the Atlanta office, if we are successful in raising at least 25% of the Offering. We intend to staff this office with one sales

person if we raise at least 25% of the Offering and two or more if we raise at least 50% of the Offering. These salespeople will make direct calls on physicians and other potential customers in the field. We believe that we can hire, train, and activate these personnel within the 90 day period. Within 150 days of the Offering, we intend to open the second expansion office in Houston and staff this office at the same level. We also plan to hire three additional inside sales employees at our headquarters to assist the sales personnel in the field and to help generate qualified leads for presentations and demos. In order to begin to create exposure on a national scale, we will also attend at least two national level trade shows. Mr. Palazzo has performed similar expansions for other companies and we are confident in his ability to startup these offices in this time frame. We believe that Mr. Palazzo's result-oriented approach to marketing will be effective and result in an increase in volume of sales.

Our core market consists of the 300,000+ physicians who practice alone or in groups of eight or less. The following methods will be employed to enlist new customers:

- (i) We will market directly to individual physicians through the efforts of our inside and outside sales force. We will utilize telemarketing for generating new sales leads, which are then solicited by direct-sales representatives. This process usually involves multiple onsite presentations and culminates in a proposal to the customer.
- (ii) We will brand our products by participating in trade shows, events and conferences that have the potential to generate interest in us on a national stage. We will also explore the possibility of employing public relations specialists to help generate positive attention for us.
- (iii) We will solicit relationships with large institutional healthcare entities such as hospital companies, physician groups and academic institutions. Well-established relationships at this level can potentially lead to significant sales of our products and services.
- (iv) We will actively pursue strategic relationships with potential distributors and attempt to establish a national distribution network.
- (v) We will explore utilizing ad placements and other promotional campaigns in industry trade publications.

Pricing/Level of Service

Medtopia's pricing is determined by the management's analysis of the competition and the targeted customer's willingness to pay, consistent with a fair profit to us. Specific fees were discussed in preceding sections and will not be repeated here. Varying discounts are offered to volume providers and potential customers depending on many factors.

Since January 2001, we have raised the subscription price of *Medtopia* four times, from \$150 per month to the current price of \$350 per month, with little or no resistance for each price increase. *Medtopia* costs less than many of its current competitors and is far less expensive than many of the competing high-end practice management applications.

Advertising and Promotion

We recognize that growth and profitability require extensive promotion that must be done quickly and aggressively. To accomplish our sales goals, we have hired an experienced advertising agency to assist in these efforts. We have entered into an Advertising Agreement with The Graham Group, Inc. and Graham Group Interactive, Inc. to perform advertising, public relations, and internet content development services for the Company. The term of the agreement is from August 27, 2003 until terminated by either party upon 90 days written notice. Charges are invoiced monthly and compensation rates are as follows: \$15% commission on all media placements; 20% commission on outside production-related purchases; rates for various professional services ranging from \$60/hour to \$100/hour. The Graham Group is the second largest advertising, marketing and public relations agency in Louisiana and has offices in Baton Rouge, Lafayette, New Orleans and Shreveport. The overall advertising and promotional objectives are to: (i) position MD Technologies as the leader in the healthcare markets in which we compete; (ii) increase Company awareness and brand name recognition among physicians and their office managers; (iii) generate qualified sales leads and potential new distributors for field sales organizations; (iv) create product advertising programs supporting our marketing position; and (v) coordinate sales literature, demonstration materials, telemarketing programs and direct-response promotions in order to maximize exposure and success.

Financing

To date, we have been financed by a combination of founder's money, debt, equity and operations income. Specifically, prior to 2000, the development of *Medtopia* was primarily funded by its founders. In 2000, we sold stock and raised \$100,000 from "friends and family" and received \$100,000 from Emory Healthcare, Inc. in return for prepaid usage of our products. From time to time, the founders of MD Technologies have advanced funds to us in return for promissory notes. Mr. William Ellison, a director and General Counsel, loaned \$100,000 to us on December 12, 2001. The loan is secured by a security interest on our personal property, including inventory, equipment, accounts, licenses, software and intellectual property. William D. Davis, a director and the CEO, loaned us \$35,101.42. This debt is represented by an unsecured promissory note dated July 9, 2002. Jose S. Canseco, Chairman of the Board of Directors, loaned us \$36,945.00. This debt is represented by an unsecured promissory note dated June 24, 2002. SBL Capital Corp., which is wholly owned by director Terry Jones, loaned \$30,000 to the Company on November 15, 2001. This loan is secured by a security interest on MD Technologies' personal property, including equipment, accounts, chattel paper, contract rights, inventory, licenses, software and intellectual property, and is personally guaranteed by Jose S. Canseco. Thomas L. Frazer, a director, loaned us \$25,000. This debt is represented by an unsecured promissory note dated August 8, 2003.

From 2001-2003, we sold stock and raised \$404,960, \$250,000 and \$35,000, respectively, from friends and outside investors. In total, the Company from its inception has incurred \$428,500 in debt and liabilities, raised \$737,795 in equity and received \$496,467 in operations income. The following table summarizes the terms of the promissory notes from each of our directors and officers discussed above.

Payee	Loan Amount	Date	Interest Rate	Maturity Date
SBL Capital Corp.(1)	\$30,000.00	11/15/01	18%	12/1/06
William C. Ellison	\$100,000.00	12/12/01	12%	6/30/04
Jose S. Canseco	\$36,945.00	6/24/02	8%	On Demand
William D. Davis	\$35,101.42	7/9/02	8%	On Demand
Thomas L. Frazer	\$25,000.00	8/8/03	*	3/8/04

⁽¹⁾ Wholly owned by Terry Jones.

To date, the company has not made any interest payments to Messrs. Canseco, Davis or Frazer. The Company has made \$14,090.10 in payments of principal and interest to SBL and the note's balance is \$17,050.66. The Company has made interest-only payments to Mr. Ellison of \$20,000.00. The loan to the Company by Mr. Ellison, a member of our board, was originally due on December 12, 2002, but the maturity date was extended to June 30, 2004, pursuant to that certain Addendum to Promissory Note dated November 10, 2003 between the Company and Mr. Ellison.

Insurance

We have secured Errors and Omissions and Comprehensive General Liability insurance and will continue such coverage if available at a reasonable cost.

Data Security

Our data is secured and backed up multiple times daily. We have built new office space at a location in the same building with the technical offices of a telecommunications company that provides us with our primary link to the Internet. We believe this close proximity minimizes the potential for disruption between the telecommunication provider and the *Medtopia* servers. We also have an ancillary power source to eliminate the risk of power outages. Additionally, we maintain redundant Internet access through two different providers to ensure reliability of our connection to customers.

We have incorporated a security management system to protect patient and physician data, using a combination of security methodologies to provide multiple lines of defense. These include:

- 128-bit SSL encryption of all application data over the Internet
- Role-based access using ID and passwords
- Firewalls and controlled port access through all routers
- Logging, monitoring, and audit trails
- Physical security in a tightly-controlled environment, with physical isolation of systems and hardware
- Security policies including the establishment of a Chief Privacy Officer and Assistant Privacy Officer

^{*} The lesser of the Wall Street Journal Prime Rate or the maximum rate allowed under applicable law. The interest rate as of November 5, 2003 is 4%.

• Routine security audits of all Company policies and personnel.

Research and Development

We spent the year 2000 and the first three quarters of 2001 mostly in a research and development mode as we added additional functionality to the *Medtopia* practice management product and created the MyMedtopia application. During most of that time, we employed six programmers who were mainly devoted to research and development efforts. Total amounts capitalized as research and development during that time were \$129,000 in 2000 and \$170,909 in 2001. Beginning with the last quarter in 2001, we changed the primary focus of the Company from research and development to begin to focus more on sales and marketing and support for our existing customers. In the first quarter of 2002, we reduced our research and development staff to two programmers and began concentrating on the overall robustness and usability of the Company's existing products. During this time, we also fine-tuned our handheld application, MedtopiaMobile, and prepared it for beta-testing and marketing. The total amount capitalized as research and development for 2002 was \$50,866. In 2003, we continued with the same R&D strategies that we followed in 2002 while adding new functionality to the product on a daily basis. The amount capitalized as software development held for sale from January 1 through September 30, 2003 was \$34,970.64. We plan with the proceeds from this Offering to hire at least two more programmers and once again emphasize a robust research and development effort.

Product Strategy

Product Life Cycles

The life cycle for *Medtopia* is potentially unlimited, as it provides the management tools that will always be needed in a physician's practice. The product is always kept current as upgrades are provided weekly and delivered to the customers seamlessly via the Internet. This delivery allows the product to evolve to the continuing needs of the customer. The responsiveness of the *Medtopia* product development team helps to ensure that the customer's needs are continually satisfied, thereby helping us retain our customer base for the long-term.

Intellectual Property

We protect our products under available federal trademark and copyright protections as well as through confidentiality agreements with vendors and employees. In particular, the name *Medtopia* is a registered trademark of the Company. The software that forms the core of *Medtopia* is copyrighted in the Company's name. Moreover, total development of the product has been performed exclusively by our employees; no outside contractors have been used.

Government Regulations

We have obtained all required federal and state permits and licenses to operate our business. Our operation and profitability may become subject to more restrictive regulation and increased taxation by federal, state, or local agencies. We adhere to compliance standards of the Healthcare Insurance Portability and Accountability Act of 1996 ("HIPAA"). However, our industry is heavily government regulated. Our government regulatory risks run

the gamut from regulation affecting our listing as a publicly traded entity to regulations affecting the healthcare industry in general and physician practice management in particular.

Laws and regulations may be adopted with respect to the Internet or other online services covering user privacy, patient confidentiality and other issues, including: pricing, content, copyrights and patents, distribution, characteristics, and quality of products and services. We cannot predict whether these laws will be adopted or how they will affect our business. Any legislation or regulations of this nature could affect the way we conduct our business, particularly in our collection or use of personal information, and could harm our business. Further, activities on or using the Internet have come under increased scrutiny, including increased investigation in the healthcare arena by the Federal Trade Commission and heightened media attention. A number of proposals have been made at the federal, state and local levels that would impose additional taxes on the sale of goods and services through the Internet. Such proposals, if adopted, could substantially impair the growth of electronic commerce, and could adversely affect our opportunity to derive financial benefit from such activities.

We may host any of a wide variety of services that enable individuals and companies to exchange information, conduct business and engage in various online activities. The laws relating to the liability of providers of these online services for activities of their users is currently unsettled. These types of claims have been brought, and sometimes successfully pressed, against online service providers in the past.

We could be adversely affected by healthcare regulation. The healthcare industry is highly regulated and is subject to political and regulatory changes. These factors affect the purchasing practices and operation of healthcare organizations. Federal and state legislatures have periodically considered programs to reform or amend the U.S. healthcare system at both the federal and state level. These programs may contain proposals to increase governmental involvement in healthcare, lower reimbursement rates or otherwise change the environment in which healthcare industry participants operate. Healthcare industry participants may respond by reducing their investments or postponing investment decisions, including investments in our applications and services. Thus, we do not know what effect any proposals would have on our business. Numerous state and federal laws govern the collection, dissemination, use, access to and confidentiality of patient health information. Many states have laws and regulations that protect the confidentiality of medical records or medical information. In addition, the federal Department of Health and Human Services has proposed regulations implementing the Health Insurance Portability and Accountability Act of 1996, or HIPAA, concerning standards for electronic transactions, security and electronic signatures and privacy of individually identifiable health information. These regulations, among other things, require companies to develop security standards for all health information that is used electronically. The proposed regulations impose significant obligations on companies that send or receive electronic health information. The application of these laws to the personal information *Medtopia* collects could create potential liability under these laws. We have designed our services to comply with these regulations, but cannot predict modifications to these regulations. Any changes could cause us to use additional resources to revise our platform and services. Additional legislation governing the distribution of medical records exists and has been proposed at both the state and federal levels. We will be subject to

extensive regulation relating to the confidentiality and release of patient records, and it may be expensive to implement security or other measures to comply with new legislation and final regulations. We may also be restricted or prevented from maintaining or delivering patient records electronically, which would have an adverse effect on our business.

The Food and Drug Administration ("FDA") has jurisdiction under the 1976 Medical Device Amendments to the Federal Food, Drug and Cosmetic Act, which is referred to here as the "FDA Act", and may seek to regulate computer products and software as medical devices if they are intended for use in the diagnosis, cure, mitigation, treatment or prevention of disease in humans. The FDA has issued a final rule under which manufacturers of medical image storage devices and related software are required to submit to the FDA pre-market notification applications, which are each referred to in this document as a 510(k) Application, and otherwise comply with the requirements of the FDA Act applicable to medical devices. We have attempted to design our services so that our computer applications and software are not considered to be medical devices. Because we believe our services are not subject to FDA regulation, we have not filed a 510(k) Application with the FDA for our products. However, the FDA may take the position that our services are subject to FDA regulation. In addition, we may expand our services in the future to areas that subject them to FDA regulation. The FDA is currently reviewing its policy for the regulation of computer software, and there is a risk that our software could in the future become subject to some or all of the above requirements. If the FDA takes the position that any of our services or software are subject to FDA regulation, we may be required to file a 510(k) Application, which would be subject to FDA review and approval and which may be a time-consuming process. We have no experience in complying with FDA regulations and believe that complying with FDA regulations may be time-consuming, burdensome and expensive and could delay our introduction of new applications or services.

State and federal statutes and regulations governing transmission of claims may affect our operations. For example, Medicaid rules require certain processing services and eligibility verification to be maintained as separate and distinct operations. We believe that our practices are in compliance with applicable state and federal laws. These laws, though, are complex and changing, and the government may take positions that are inconsistent with our practices.

The practice of most healthcare professions requires licensing under applicable state law. In addition, the laws in some states prohibit business entities from practicing medicine. We have attempted to structure our web site, strategic relationships and other operations to avoid violating these state licensing and professional practice laws. A state may, however, determine that some portion of our business violates these laws and may seek to discontinue them or subject us to penalties or licensure requirements. We employ and contract with others who provide only medical information to consumers and have no intent to provide medical care or advice. We do not maintain professional liability insurance because we believe we are not a healthcare provider and any determination that we are a healthcare provider and acted improperly as a healthcare provider may result in liability for which we are not insured.

Customer Terms and Strategic Relationships

Our relationships with our customers are regulated by subscription contracts that we execute with each customer. These contracts contain our standard terms and conditions, the most important of which relate to the price charged for our services/products. Our primary source of revenue is derived from subscription fees paid by our customers on a monthly basis. Our contracts generally have a one (1) year term and renew on a month-to-month basis after the first year. We have the right to change the price for our services/products on the year anniversary of our contract. Should a customer terminate our relationship, we are obligated to provide them with the information we host for them in a format that allows them to migrate to another vendor. Emory Healthcare was a significant customer in 2001 and 2002, representing 43% of our revenue in 2001 and 15% in 2002. Although the Joint Development and License Agreement with Emory and the MyMedtopia license granted therein have now expired, this has not had an impact on our ability to generate revenue from our other products and services. We have not attempted to market MyMedtopia to customers and have chosen instead to focus on marketing and deploying our *Medtopia* practice management product. While the revenue from Emory Healthcare's license of the MyMedtopia application has contributed significantly to our past revenue, it does not represent an ongoing and continual stream of revenue that the Company relies upon for future growth. Other than Emory Healthcare, no other customer accounted for 10% or more of revenues for the year ended December 31, 2002. Emory Healthcare no longer accounts for 10% or more of our revenue, and for the period of January through September of 2003, we have been dependent upon only one customer for 10% or more of our revenue. That customer is Ira Markowitz, M.D., a recent customer in 2003 for whom we provide the *Medtopia* practice management application in addition to *Medtopia* Billing and Accounts Receivable Management services. For the period of January through September of 2003, this customer has accounted for \$23,660 of \$226,850 (10.4%) of total revenue.

We have two significant vendor relationships upon which we depend to offer our services/products. The first is with our primary Internet service provider, Eatel, a local telephony provider in our area. Our Sale Contract with Eatel is dated April 25, 2000 and provides for service on a month-to-month basis with charges payable monthly. We currently pay \$1,594 per month for Eatel's services. If we were to lose this relationship, we feel that there are several other alternate providers that could provide our Internet connectivity with little or no adverse effect to our business. Our other significant relationship we rely upon to provide our services/products is with the clearinghouse through which our customers bill third party payers. This company is Envoy, which is owned by one of our competitors. Under the Envoy Provider Agreement, dated May 4, 2000, MD Technologies Inc. is granted the right to use Envoy's medical claims batch transaction services and related hardware and software for an initial three year term. The original term has expired; however, the Agreement automatically renews thereafter for one year terms unless either party gives thirty days notice to the other of its decision not to renew. We currently pay \$150 per month for the license of Envoy's software. Although there are other clearinghouses providing similar services, a disruption of our relationship with Envoy, could temporarily significantly adversely affect our ability to deliver our services. We are currently exploring the possibility of having redundant clearinghouse strategic relationships to mitigate this risk.

Competition

The healthcare information technology market is served by various software companies that distribute and manage clinical and business-related information. The market for these companies' applications is divided into general user/customer categories, as follows:

- 1. Hospitals
- 2. Physicians
- 3. Insurance/Managed care companies
- 4. Ancillary services (i.e., pharmacies, imaging companies, laboratories, etc.)
- 5. Dental
- 6. Specialty Medical Services

Most software vendors provide only a portion of the software needs of a client. For example, one company may provide billing software while another may provide medical record software. Therefore, it is common for physicians to use multiple software applications concurrently.

While *Medtopia's* suite of features enables the product to compete in some form in all six areas of the healthcare industry, the product is currently focused primarily on the physician market. In this segment of the market, there are three distinct categories of customers, namely:

1. Physician practices with less than eight physicians (more than half of all physicians – over 300,000).

Physicians in this category are *Medtopia*'s primary target customers. Many of these practices have PC-based legacy systems that are old or inexpensive (under \$5K.) The systems of these practices typically run on a local area network and are primarily limited to billing and collections. Some of the providers in this category are Medi-Soft, Lytec, and other homegrown products that are functional but no longer supported.

2. Physician practices with between eight and twenty physicians.

Group practices of this size tend to run practice management systems that are capable of running on a wide area network, have robust utilities, appointment scheduling, flexible reporting, managed care, and accounts payable modules. The costs of these systems can range between \$30K to \$60K for the initial purchase, and \$3K to \$8K per physician for installation. Updates to these applications and yearly maintenance agreements can exceed \$10K. A few vendors in this category are companies like Medical Manager, Millbrook, and Practice Works. *Medtopia* currently competes for these customers at the lower end of the market.

3. Physician practices with more than twenty physicians.

Group practices of this size usually run complex modules for practice management systems that provide enterprise-wide solutions. These applications are typically deployed on large computers like RISC 6000's and operate on expensive and dedicated database servers. Organizations deploying these applications can spend hundreds of thousands of dollars for these systems and may require a dedicated IT staff to maintain the hardware, the application, and its interfaces. A few companies in this category include IDX, Misys (Medic), and Vitalworks.

The following is a list of software companies that occupy at least part of the market space in which *Medtopia* competes:

Medical Manager/WebMD
Misys (Medic)
Millbrook
Amicore
CareWide
PracticeWorks
MediSoft
Lytec

VitalWorks HealthPak Athena Health MercuryMD MicroMD MDEverywhere MegaWest

IDX

Of the many practice management software companies, no single company dominates the market. However, two companies should be recognized as dominant players in certain segments of this market.

Medical Manager/WebMD

Started in 1982 as a practice management software product for chiropractors, the Medical Manager product has evolved into one of the more fully featured products on the market today. Most of the Medical Manager installations are using a legacy, text based version of its product running on a Unix file server and serves the medium-to-large medical practice market. Because of its sheer size, product features and reputation, Medical Manager continues to present itself as a formidable competitor.

Medtopia offers the benefits of having as many features as Medical Manager but at a much lower price and with better serviceability. *Medtopia* can also be deployed much easier since it doesn't require a dedicated server, especially in multi-site environments where office personnel need instantaneous access to information from anywhere.

Medisoft

As a division of NDC, a medical services company that functions as a claims processing company, the MediSoft practice management system provides NDC with a ready source of medical insurance claims to be cleared and transmitted to insurance payers. The MediSoft product, although not as robust or fully featured as most of its competitors, offers a

basic system at a low introductory price for the small physician practice. Because of its low price, the company has been very successful in creating a large base of installations.

Our competitive position in the healthcare industry can best be described as occupying a niche as the low cost provider given the delivery mechanism (the Internet) and the level of personal and customized service(s) offered. We are trying to serve the small to mid-size physician offices with services and applications usually available only to larger practices, but not generally affordable by the smaller practices. The use of the Internet as our delivery and customer service mechanism allows us to provide our services and products very cost effectively.

Medtopia enables its customers to enjoy the benefits of a fully featured practice management system even though the product competes at the same price level as MediSoft. Additionally, since Medtopia is deployed over the Internet and hosted and managed by our expert staff, we are able to create a more intimate relationship with our customers that better ensures product satisfaction and long-term loyalty.

Employees

We currently employ eight full-time paid employees, one full-time unpaid employee, Mr. Davis, our CEO, and 2 part-time employees, Mr. Canseco, Vice President of Policy and Planning, and Mr. Ellison, our General Counsel, who do not draw salaries. We plan to immediately hire additional employees depending upon the success and subscription of the offering. If we are successful in raising 25% of the offering, we plan to hire 8 new employees, bringing the total number of employees to 19. If we raise 50% of the offering, we plan to hire 16 additional employees, bringing the total to 27. At 75% and 100%, we plan to hire 24 and 35 new employees, bringing the total number of employees to 35 and 46, respectively. These employees will be focused in sales and marketing, research and development, and administration. Our relationship with our current employees fosters high productivity and commitment. None of our employees are covered by a collective bargaining agreement. From time to time, we utilize the services of independent contractors to perform various other services.

Material Litigation

We are not presently involved in any material litigation or other legal proceedings.

MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

2000

We spent the fiscal year 2000 largely in a research and development mode. At the time, our staff consisted primarily of software programmers under the leadership of William Davis. Working in conjunction with several physicians who acted as consultants, Mr. Davis and our programming staff developed, modified and tested *Medtopia* during all of fiscal year 2000. In the third quarter of 2000 Emory University's healthcare unit became interested in our

Company and our applications. At that time, we began negotiations with Emory, including extensive due diligence on its part, culminating with Emory's investment in our Company, and agreement to use two of our applications, *Medtopia* and *MyMedtopia*. To fund operations and continued development of our products, we raised \$244,000 in the selling of our stock to friends, family and through personal investments from the founders and officers of the Company. Services valued at \$229,000 were also provided in exchange for stock. The total net loss from operations in fiscal year 2000 was \$(382,415).

2001

Fiscal year 2001 began with the announcement of the Emory relationship. At that time we attempted to raise capital in order to implement our distribution strategy. We retained the services of a public relations specialist and set about to obtain a more public image. We also participated in two venture capital forums held in the New Orleans area, the Loa Group forum and Tulane University Freeman School of Business forum. We reached the final 5 presenters (out of over 60) in the Loa Group's forum and won the Tulane forum. Despite enjoying success in the venture capital forums and attracting positive news articles in local press in New Orleans, Baton Rouge, and Atlanta, we were largely unsuccessful in raising significant capital.

However, we were successful in raising \$404,960 in the selling of our stock to friends and outside investors in order to help fund sales, operations, and continued research and development. Services valued at \$5,000 were provided in exchange for stock. Warrants were issued in the amount of \$12,300 as incentive for debt issued in the amount of \$30,000.

In 2001, we initiated our first formal sales strategy. Our efforts yielded total revenues in 2001 of \$156,976. These revenues consisted of \$66,666 from the license of the *MyMedtopia* application by Emory Healthcare, and \$90,310 from the subscription and related fees from the *Medtopia* application. We increased our customer base from 21 to 39 providers during this period. To produce these revenues we incurred \$246,362 for cost of revenue, which primarily consisted of salaries. In addition, our selling, general and administrative expenses increased 29% from \$356,615 to \$460,684. Although our revenues increased in 2001, because of the increase in the cost of revenue and the selling, general and administrative expenses, our net loss expanded 54% from \$382,415 to \$589,223. We covered these losses through the sales of additional stock discussed above. We capitalized \$170,909 in costs associated with the capitalized software held for sale for the period.

It should also be noted that two of the company's employees (William D. Davis, the CTO, and Jose S. Canseco, the CEO) did not draw salaries during this period in order to conserve the company's resources.

For complete information, see Financial Statements as of December 31, 2001 starting on page F-1.

2002

As the result of our inability to attract significant capital in 2001, we began 2002 with four initiatives: (1) conserve our limited capital resources; (2) curtail further significant

capital seeking efforts until we achieved more traction; (3) devote the majority of our resources to implementing a distribution strategy; and (4) attempt to become financially self-sufficient on self-generated revenues.

In order to achieve these goals, we significantly reduced our research and development efforts into new product development and began focusing internally on improving the functionality and robustness of our existing products. The total amount capitalized for costs associated with capitalized software held for sale in 2002 was \$50,866, a 70% reduction from the previous year.

In an attempt to reduce our overhead in 2002, we cut back on resources dedicated to supporting and deploying the application, thereby contributing to the reduction in total cost of revenues from \$246,362 in 2001 to \$206,061 in 2002, a decrease of 16%. These reductions were achieved by eliminating three employees dedicated to customer support and service in January of 2002, which helped reduce the Cost of Revenues Salaries Direct 14% from \$177,447 in 2001 to \$152,433 in 2002. Additionally, we eliminated one of our redundant Internet connections reducing our Internet cost 54% from \$28,552 in 2001 to \$13,263 in 2002. In 2002, we also terminated the use of contract labor that we utilized in 2001 for networking and hardware support, web design, and trainers. Contract labor accounted for \$17,403 in cost of revenue expenses in 2001, but \$0 in 2002, a decrease of 100%. However, the Cost of Revenue depreciation expense increased 87% from \$20,991 in 2001 to \$39,305 in 2002 as the result of the amortized depreciation of our capitalized software development held for sale.

We also reduced total operating expenses 54% from \$490,955 in 2001 to \$226,945 in 2002. This reduction is largely the result of a one-time expense in 2001 of \$225,000, which was recorded in order to recognize the issuance of 450,000 shares of stock valued at \$.50 per share (112,500 shares valued at \$2.00 per share after the reverse stock split) to Emory Healthcare in return for services as part of the Joint Development and License Agreement. We additionally reduced other operating expense overhead such as supplies, travel, advertising and promotion, and telephone costs.

Despite the reduction in overhead, our continued focus on sales and distribution resulted in an increase of 21 new customers with attrition of only 3, thereby bringing our total customer base to 57 physician/providers. In addition to our *Medtopia* product, we also began selling our *MedtopiaMobile* handheld application in 2002 along with billing and accounts receivable services. The combined total revenue of all products and services for 2002 was \$209,226, an increase of \$52,250 (or 33%) over the prior year. Of the total revenue for 2002, \$33,333 (15%) consisted of the final 6 months of the 18-month amortization of the Emory Healthcare license of *MyMedtopia* which began in January of 2001.

While the sales revenue in 2002 compared to the previous year increased 90% from \$88,149 to \$167,613 and the total revenue increased 33% from \$156,976 to \$209,226, there was a reduction in service revenue from \$67,493 to \$41,613, a decrease of 38%. The increase in total revenue is mainly attributable to an overall increase in sales and customers. The decrease in service revenue, however, is a result of the 18-month amortization of the Emory Healthcare *MyMedtopia* license, which began in January of 2001. The one-time license fee of \$100,000 was amortized over the period of the term of the license, which was 18 months.

Therefore, \$66,666 was recognized as service revenue in 2001, while only \$33,333 was recognized in 2002. As a result of the reductions in selling, general and administrative expenses and in the costs of revenue and the increase in revenues, net loss was reduced 56% from \$589,222 in 2001 to \$260,881 in 2002. These losses were covered by the sale of \$250,000 in common stock.

While our total revenue increased 33% in 2002 over the previous year, we were still operating at a loss and therefore continued to seek capital in limited scope and raised \$250,000 in 2002 from outside investors. Services valued at \$74,179 were also provided in exchange for the issuance of stock options. These funds, in addition to loans from officers, were used to help fund the operations of the company.

For complete information, see Financial Statements as of December 31, 2002 starting on page F-7.

2003

For the first nine months of 2003, we continued to implement the strategy we outlined in 2002 by focusing on the sales and distribution of the company's products and services and attempting to move the company towards a profitable bottom line. In addition to meeting our internal sales goals of 2 new customers of *Medtopia* each month, we began to actively pursue an expansion of our billing and accounts receivable customer base. We expanded from 1 to 7 customers for this service in the first nine months of the year and the revenue from these services helped contribute to the total revenue from all products and services of \$226,851 as of September 30, 2003.

We raised an additional \$35,000 in capital from outside investors in the first nine months of 2003 to help finance the continuing loss from operations and the extra expenses associated with the public offering. Services valued at \$84,996 were also provided in exchange for stock. The net loss for the first nine months of 2003 was \$288,218.

For complete information, see Financial Statements as of September 30, 2003 starting on page F-19.

Comparison of September 2002 to September 2003 Financial Results

Total revenues for the first nine months of 2003 increased from \$170,347 in 2002 to \$226,851 in 2003, a 33% increase in total revenue. This increase in total revenue is largely due to continued success in the sale of the *Medtopia* product in addition to the pursuit of more billing and accounts receivable customers. While the total revenue for this period increased from 2002 to 2003, the service revenue declined 91% from \$40,638 in 2002 to \$3,730 in 2003. This decrease in service revenue is largely due to the last six months of amortization of the 18-month Emory Healthcare *MyMedtopia* license that began in January of 2001 and was recognized through June of 2002. This resulted in \$33,333 less service revenue in the first nine months of 2003 in comparison to the first nine months of 2002.

The Cost of Revenues for this period increased 47% from \$110,945 in the first nine months of 2002 to \$162,628 in the first nine months of 2003 as a result of the hire of two new

support personnel in September 2002 and moderate pay raises to existing employees at the same time. These additional expenses contributed to an increase in the Cost of Revenues Direct Salaries from \$87,139 in the first nine months of 2002 compared to \$134,455 in the first nine months of 2003, an increase of 54%. The other cost of revenues during this period stayed relatively the same with only nominal increases in contract labor, Internet cost, and depreciation.

Our operating expenses increased dramatically as well, from \$144,482 in 2002 to \$333,424 in 2003, an increase of 131%. This increase in operating expenses resulted in a greater loss from operations of \$269,201 in 2003 in comparison to \$85,080 in 2002, an increase of 216%. The increase in operating expenses is due to increases in professional fees and the accounting for distribution of stock for services. In January 2003, we began preparing the public offering, which has resulted in significant legal and accounting expenses. These expenses are accounted for under the category 'Selling, general and administrative expenses'. Our legal and professional fees increased from \$14,557 for the first nine months of 2002, to \$91,621 for the first nine months of 2003, an increase of 529%. Additionally, the Company incurred an expense of \$84,996 in connection with the issue of 169,992 shares of stock valued at \$.50 per share (42.498 shares valued at \$2.00 per share after giving effect to the reverse stock split) in return for services rendered to the company. This charge is also reflected under the category 'Selling, general and administrative expenses'. Of the 169,992 shares of stock (42,498 shares after giving effect to the reverse stock split) that were issued for services, 20,000 (5,000 after giving effect to the reverse stock split) were issued to two beta-test users of one of our products, and 149,992 (37,498 after giving effect to the reverse stock split) were issued to Joseph Palazzo, our executive vice president of sales and marketing, who did not draw a salary for the first six months of 2002.

While total revenues increased 33%, the increase in the cost of revenues coupled with the increase in operating expenses contributed to a greater net loss of \$288,218 for the first nine months of 2003 in comparison to \$106,821 for the first nine months of 2002, an increase of 170%. These losses were funded from cash reserves, reducing our cash and cash equivalents 99% from \$132,827 to \$1,167, the sale of stock, and loans from our management in the amount of \$21,193, which was a small increase (33%) from the prior period loans of \$15,883.

For complete information, see Financial Statements as of September 30, 2003 starting on page F-19.

DESCRIPTION OF PROPERTY

We lease our principal operating location in the central business district of Baton Rouge, Louisiana where we maintain our corporate offices and data center. The space was built out per our specifications. The office consists of 3,200 square feet and includes a data center with dedicated air conditioning and redundant electrical systems to accommodate the needs of our servers and computer systems. The lease has a five-year term and provides for accelerating monthly rentals. Annual rent was \$39,554 in 2002. Rent in 2003 will be \$49,400 and in 2004 rent will be \$52,855. The building that houses our offices also contains

the main technology offices of a major telephone provider from which we secure our primary Internet connection.

We own and maintain all of our servers and technology tools necessary to deliver our products to our customers. These include: multiple single and dual-processor servers, software development products and compilers, routers, firewalls, data switches, telephone system, modems, fax machines, laptops, workstations, and printers. We also own our office furniture and most other systems required for operations.

MANAGEMENT

Directors, Executive Officers and Significant Employees

We are managed by our Board of Directors. Currently, the Board has six members, including two outside directors. The members of the Board serve three year staggered terms. Our executive officers serve at the discretion of the Board of Directors. The following table sets forth information regarding the names and ages of and positions held by each of our executive officers and the members of the Board of Directors.

Name	Age	Date Joined Board	Position
Jose S. Canseco	45	2/25/2000	Vice President of Policy and Planning, Chairman, Board of Directors
William D. Davis	35	2/25/2000	President & CEO, Director
William C. Ellison	43	2/25/2000	Secretary, General Counsel, Director
Kenneth E. Thorpe, Ph.D.	46	Not a Board Member	Chairman, Technical Advisory Board
Thomas L. Frazer	58	6/4/2002	Director
William J. Burnell	52	6/4/2002	Director
Terry Jones	40	6/4/2002	Vice President of Finance, Director
Joseph Palazzo	60	Not a Board Member	Executive Vice President, Sales & Marketing

The following biographies describe the business experience of our executive officers and managers.

Jose S. Canseco, Vice President of Policy and Planning and Chairman of the Board of Directors

Mr. Canseco, age 44, one of the founders of the Company, is a 1981 graduate of Louisiana State University with a degree in accounting and a 1984 graduate of the Paul M. Hebert Law School at Louisiana State University. Mr. Canseco has over 18 years of experience in business and commercial practice, commercial litigation, governmental relations and in intellectual property law. Mr. Canseco is active in his community, taking a leadership role in several civic and business boards. He is currently Chairman of the Board of the Louisiana Artist Guild, Inc. (from 1992 to Present); Vice-President of the Arts Council of New Orleans (from 1992 to Present); Member of the Board of Directors of the Louisiana State Arts Council (from 2002 to Present); Member of the Governor's Latin American Business

Initiative (from 1997 to Present); Member of the Board of Directors and Secretary of the Canal Street Development Corporation (from 2003 to Present); and Member of the New Orleans Hispanic Heritage Foundation (from 1989 to Present). Mr. Canseco has served as an officer on the Orleans Private Industry Council (from 1990 to 1991); the Greater New Orleans Chapter of the Volunteers of America (from 1996 to 1998); the World Trade Center International Committee (from 1989 to 1991); the Hispanic Political Action Committee (from 1989 to 1991); and The New Century New Orleans City Master Plan Committee (from 1989 to 1991); and The Mayor of New Orleans' International Council (from 1988 to 1994). Mr. Canseco is responsible for directing the Company's business and strategic directions. From December 1997 to July 2001, Mr. Canseco was a General Partner with the Law Firm of Barton, Richardson, Canseco and Whitney, L.L.P. From January 2002 to Present, Mr. Canseco has been the General Counsel of United States Environmental Services, L.L.C., responsible for all corporate legal affairs of that entity.

From February 2000 to the present Mr. Canseco has served as a director. In addition, from August 2001 to March 2003, he was CEO of MD Technologies Inc. Mr. Canseco relinquished that post in March 2003 and now serves as Vice President of Policy and Planning of MD Technologies Inc. His duties have included assisting Mr. Davis and the Company with strategic planning and direction.

William D. Davis, President and Chief Executive Officer, Director

Mr. Davis, age 34, one of the founders of the Company, is a graduate of Louisiana State University in Electrical Engineering. As a pioneer in designing Internet enabled applications, he has been the driving force in bringing to market the first fully functional Internet-based healthcare application in the mid 1990's. He has over fifteen years professional experience in various industry markets such as healthcare, education, and law. Mr. Davis oversees the company's operations, develops strategies for execution of the company's business plan, and assists with advanced research and development of the company's next generation products. Mr. Davis was President of LISTech, Inc., a software development company in Baton Rouge, La. from January 1993 to July 2003. He has been President of Davis Research Group, Inc., a Louisiana based company with 3 employees that provides outsourced software development to the healthcare industry from January 2002 to Present. From February 2000 to March 2003, Mr. Davis served as a director and was the Chief Technology Officer of MD Technologies Inc. and was responsible for overseeing the development and deployment of the Company's products and services. From March 2003 to Present, Mr. Davis has served as director and President and CEO of MD Technologies Inc.

Davis Research Group, Inc. has provided software development services to only one customer since incorporation in February of 2002. The application that has been developed for this customer, while in the healthcare environment, does not compete with any of MD Technologies Inc.'s current products or services. Mr. Davis is the sole owner of Davis Research Group, Inc. Upon the qualification of the Offering, Davis Research Group, Inc. will cease providing services to its customer and will be dissolved so as to not represent any potential future conflicts of interest with MD Technologies Inc.

Joseph Palazzo, Executive Vice President of Sales & Marketing

Mr. Palazzo, age 60, is the most recent addition to the team, having joined the Company in July of 2001. Mr. Palazzo has a unique blend of knowledge and experience that complement the team. After receiving a degree in physics and math from Loyola University in New Orleans, Mr. Palazzo began his professional career as a programmer for UNISYS Corporation in 1967 and then moved into sales. Beginning with Medical Industry experience while at UNISYS from 1967 to September 1984, Mr. Palazzo has over 17 years of experience in the sales and support of physician practice management products. In 1990, Mr. Palazzo started and owned one of the largest distributorships of Medical Manager, one of the leading products in the medical management software industry. Mr. Palazzo sold his distributorship to Medical Manager Corporation and came out of semi-retirement to join the team. Prior to starting his Medical Manager distributorship in 1990, Mr. Palazzo started and served as the CEO and President of Qualified Technology Inc., a computer hardware and networking company in Baton Rouge, La., where he sold hardware, software, and networking services to the medical community from 1986 to 1991. Mr. Palazzo sold his distributorship to Medical Manager Corporation in 1998 and continued to work for that company until November 1999. He then worked as an independent small business consultant until joining MD Technologies in July 2001 as the Executive Vice President of Sales and Marketing. Mr. Palazzo's unique blend of knowledge and talents in software design and writing, hardware and network installation and support and service, and healthcare practice management sales and support, makes him well suited to help the Company evolve from a research and development mode to a sales and customer support mode.

Kenneth E. Thorpe, Ph.D., Chairman, Technical Advisory Board

Dr. Thorpe, age 46, is currently the Robert W. Woodruff Professor and Chair of the Department of Health Policy & Management, in the Rollins School of Public Health of Emory University, Atlanta, Georgia, and has served in such capacity since September 1999. Previously, from September 1995 to August 1999, he was a Vanselow Professor of Health Systems Management at Tulane University School of Public Health and Tropical Medicine. From 1995 to 1999, he was a Director, Institute for Health Services Research, Tulane University School of Public Health and Tropical Medicine. Dr. Thorpe received his Ph.D. from the Rand Graduate School, his M.A. from Duke University and his B.A. from the University of Michigan. He was previously Professor of Health Policy and Administration at the University of North Carolina at Chapel Hill from 1994 to 1995, Associate Professor and Director of the Program on Health Care Financing and Insurance at the Harvard University School of Public Health from 1988 to 1990, and Assistant Professor of Public Policy and Public Health at Columbia University from 1983 to 1986. Dr. Thorpe has also held visiting faculty positions at Pepperdine University (1981 to 1984) and Duke University (1991).

From 1993 to 1995, Dr. Thorpe was Deputy Assistant Secretary for Health Policy in the U.S. Department of Health and Human Services. In this capacity, he coordinated all financial estimates and program impacts of President Clinton's health care reform proposals for the White House. He also directed the administration's estimation efforts in dealing with congressional health care reform proposals during the 103rd and 104th Congress. As an academic, he has testified before several committees in the U.S. Senate and House on health

care reform and insurance issues. In 1991, Dr. Thorpe was awarded the Young Investigator Award presented to the most promising health services researcher in the country under age 40 by the Association for Health Services Research. He also received the Hettleman Award for scholarly research at the University of North Carolina and was awarded an "Up and Comers" award by *Modern Healthcare*. Dr. Thorpe has authored or co-authored over 60 articles, book chapters and books and is a frequent speaker on issues of health care financing, insurance, and health care reform at health care conferences and in the media. He also serves as a reviewer on several health care journals.

Dr. Thorpe is responsible for assisting in the development of the company's vision. Dr. Thorpe seeks business opportunities and strategic alliances with other organizations and is responsible for planning, developing and establishing policies of the Company. Dr. Thorpe was appointed as the Chairman of the Policy and Planning Board in February, 2000. He resigned that position and became Chairman of the Technical Advisory Board in June, 2002.

William C. Ellison, Secretary and General Counsel, Director

Mr. Ellison, age 43, was a 1986 graduate of the University of Mississippi School of Law, where he served as a member of the Moot Court Board from 1984-1986. Mr. Ellison has sixteen (16) years of legal experience in the areas of products liability, intellectual property, commercial litigation, insurance law and general tort litigation. He is also a contributing editor to the Products Liability Desk Reference, A Fifty State Compendium since 1993 and the Tort Litigation Desk Reference, A Fifty State Compendium since 1999. From January 1995 to Present, Mr. Ellison has been a General Partner with the Law Firm of Bordelon, Hamlin and Theriot, in New Orleans, La., specializing in products liability and general practice of law. From February 2000 to Present, Mr. Ellison has served as a director and Secretary and General Counsel of MD Technologies Inc.

Thomas L. Frazer, Director

Mr. Frazer, age 58, holds bachelor's (1967) and master's (1969) degrees in accounting from Louisiana State University. He is a partner in Frazer & Persac, A Professional Accounting Corporation, a CPA practice specializing in tax and financial services since 1980. He is a Certified Financial Planner and a member of AICPA and Louisiana Society of CPA's. From September 2000 to Present, Mr. Frazer served as a Director of TilTech Aquaculture, LLC, an aquaculture firm, and is a former Director of numerous other companies, including Fifth Generations Systems, Inc. (January 1987 to October 1993), a software firm with \$50,000,000+ in sales annually, where he was Chairman and the largest individual shareholder. He also served as a Vice President and Director of Helix BioMedix, Inc., a public biopharmaceutical company focusing on the discovery, synthesis and commercialization of novel, bioactive lytic peptides proprietarily termed Cytoporins, from October 1994 until September 1999, and served as Vice President - Treasurer, Chief Financial Officer and Director from October 1999 until June 2001. Mr. Frazer is active in numerous civic organizations. He is currently President of the City Club Foundation (January 2003 to Present), Treasurer and Chair of the Audit Committee of Pennington Biomedical Research Foundation (January 2003 to Present), Chairman of the Board of St. James Place, a continuing care retirement community (July 2003 to Present), and a Member of the

Investment Committee, Baton Rouge Area Foundation (January 2002 to Present). Mr. Frazer is also active in other business endeavors such as real estate and the organization of several local companies. He has served as a director since June 2002.

William J. Burnell, Director

Mr. Burnell, age 52, has worked primarily in financial services, small business lending, and the banking industry, technology and economic development. He is currently President and Executive Director of Business Resource Capital Specialty Business and Industrial Development Corp. (BRC), and has served in such capacity since March 1999. From March 2000 to Present, Mr. Burnell has served as the Executive Director and President of the New Orleans Regional Loan Corp., a non-profit corporation formed in 1978 to assist local governments in promoting business expansion and development in southeastern Louisiana. Mr. Burnell is responsible for the management as well as the budget and financial decisions and direction for both companies. He also deals with local, state and federal business economic programs in providing financing programs and technical assistance to small and emerging businesses in southeastern Louisiana. From October 1988 to November 1999, Mr. Burnell was employed with Oracle Corporation as a practice manager in the financial services sector, where he provided information technology consulting to financial institutions in the Southeast. He was employed from September 1976 to June 1998 with First Commerce Corporation, a \$10 billion bank holding company located in New Orleans, Louisiana, as a Senior Vice-President and Team Leader for the Credit Review and Audit Division, where he had overall responsibility for maintaining and reporting on the company's assets. Mr. Burnell has served as a director since June 2002.

Terry Jones, Vice President of Finance, Director

Mr. Jones, age 40, graduated from Louisiana State University with a B.S. in Finance. From November 2000 to Present, he has been President of SBL Capital Corporation, a Louisiana Certified Capital Company ("CAPCO"). SBL has investments in various industries, including wireless technology and software technology. From January 1998 to Present, Mr. Jones has been President of Dean Capital, L.L.C., which provides financial consulting services to businesses. Prior to Dean Capital, Mr. Jones was a Regional Vice President with the Business Loan Center ("BLC"), a New York based publicly traded nonbank lender (January 1998 to December 1998). He joined BLC after leaving Source Capital where he served as a Vice President and Director of Underwriting and managed venture capital deals and conducted corporate finance work including debt/equity placements (January 1995 to December 1997). Mr. Jones has been recognized for his professional and civic achievements and was a founder of the Iberville Business Incubator. He is also a Board Member and investor for several companies other than MD Technologies Inc., including SBL Capital Corporation (October 2000 to Present), Dean Capital, L.L.C. (January 1998 to Present), Medi-Clean, LLC (December 2001 to Present), and Affiliated Pasta Restaurant Group (May 2002 to Present). Mr. Jones has been a director since June 2002 and Vice President of Finance from September 2003 to Present.

Remuneration of Directors and Officers

The Company has entered into 5-year employment agreements with William D. Davis and Jose S. Canseco. The annual salary set forth in these contracts, \$102,000 and \$97,000, respectively, is contingent upon selling \$1.5 million of the Shares. These agreements provide that if the Company does not secure and receive such funding by May 2004, the agreements become null and void. We also entered into an employment agreement with Terry Jones on September 24, 2003 to hire Mr. Jones as Vice President of Finance. Mr. Jones' contract is not subject to a term and his annual salary is \$95,000. Each of these employment agreements sets forth the base salary for the first year only, and provides that the annual base salary shall be reviewed before January 1 of each year by the Board of Directors to determine if such salary should be increased for the following year. Each of these agreements further provides that the salary shall be increased yearly by at least the amount of the increase in the Consumer Price Index for All Urban Consumers for the past year. The following table sets forth certain information regarding compensation for fiscal year 2002.

Summary Compensation Table

Officer	Position	Cash	Options ⁽⁵⁾
Jose S. Canseco (1)	Chairman, Board of Directors, Vice President of Policy and Planning	\$7,500	14,374
William D. Davis (2)	CEO, President, Director	\$12,000	14,374
William C. Ellison	Secretary, General Counsel, Director	0	14,374
Thomas L. Frazer	Director	0	4,161
William J. Burnell	Director	0	4,161
Terry Jones ⁽³⁾	Vice President of Finance, Director		4,161
Joseph Palazzo ⁽⁴⁾	Executive VP, Sales and Marketing	\$60,000	
Kenneth E. Thorpe, Ph.D.	Chairman, Technical Advisory Board	0	

⁽¹⁾ Mr. Canseco did not draw a salary in 2003. Following the offering his annual salary will be \$97,000.

Nonqualified Stock Option Plan

On August 6, 2003, the Board of Directors adopted the MD Technologies Inc. Nonqualified Stock Option Plan. The plan is intended to provide incentives to keep key

⁽²⁾ Mr. Davis did not draw a salary in 2003. Following the offering his annual salary will be \$102,000.

⁽³⁾ Mr. Jones is the owner of Dean Capital, L.L.C. and SBL Capital Corp. These entities have received 17,500 and 7,500 options respectively for services rendered to the Company. Following the offering his annual salary will be \$95,000.

⁽⁴⁾ Mr. Palazzo drew \$22,830 of his salary in 2003 and the remainder of his salary was accrued.

⁽⁵⁾ The Board of Directors granted the options listed for past services rendered including services in 2002 and 2003. The strike price of each option is \$2.40 and the options expire on April 23, 2008.

employees, directors and consultants, and others expected to provide significant services to us. The goals of the plan are:

- To encourage proprietary interest in MD Technologies;
- To encourage key employees to remain in our employ;
- To attract new employees with outstanding qualifications; and
- To provide additional incentive to consultants, vendors, and others to increase their efforts in providing significant services to MD Technologies.

The plan is administered by the Board of Directors or can be administered by a committee appointed by the Board, which committee shall consist of not less than two directors. The Board of Directors, or the committee if there is one, at its discretion, can select the eligible employees and consultants to be granted awards and determine the number of shares to be applicable to such award. The shares subject to awards granted under the plan are shares of common stock that are authorized but unissued. The aggregate number of shares which may be issued as awards or upon exercise of awards under the plan is 1,000,000 shares (250,000 shares after giving effect to the reverse stock split). No options have been issued under the plan to date. The shares that may be issued pursuant to the exercise of an option awarded by the plan will not be registered under the Securities Act of 1933.

Indemnity

The Certificate of Incorporation of the Company provides for indemnification of the Company's Directors and Officers to the fullest extent permitted by applicable law, which may include liabilities under the 1933 Act. The General Corporation Law of Delaware empowers a corporation to indemnify its officers and directors for judgments, settlements, penalties, fines, or expenses incurred by such officer or director because he or she was acting in that capacity.

SECURITY OWNERSHIP OF MANAGEMENT AND CERTAIN BENEFICIAL HOLDERS

The following table sets forth, as of the date hereof, certain information with respect to the beneficial ownership of shares of common stock of MD Technologies by each person known to beneficially own five percent or more of the outstanding equity and each of the officers and directors.

Name	Number of Shares	Percent of Total Equity Before Offering	Percent of Total Equity After Sale of \$2 Million of Shares
William D. Davis ⁽¹⁾	888,716	32.9%	25.2%
Ricardo Marcos, Jr. (2)	492,499	18.2%	13.9%
Jose S. Canseco ⁽³⁾	492,499	18.2%	13.9%
William C. Ellison ⁽⁴⁾	139,374	5.1%	3.9%
Thomas L. Frazer (5)	60,411	2.2%	1.7%
Frank Fazio, M.D.	25,000	0.9%	0.7%
Kenneth Thorpe, Ph.D.	131,250	4.9%	3.7%
William J. Burnell ⁽⁶⁾	79,161	2.9%	2.2%
Terry Jones ⁽⁷⁾	29,161	1.1%	0.8%
Joseph Palazzo	37,498	1.4%	1.1%
All officers and directors as a group ^{(1) (2) (3) (4) (5) (6) (7)}	1,858,070	65.9%	50.8%

⁽¹⁾ This amount includes 251,644 shares owned by Mr. Davis's wife, Dawn Haase and 14,374 shares that may be acquired through the exercise of options to purchase our shares at an exercise price of \$2.40.

Options, Warrants and Rights

The following table sets forth, as of the date hereof, certain information with respect to the beneficial ownership of options for shares of common stock of MD Technologies by each person known to beneficially own five percent or more of the outstanding equity and each of the officers and directors.

Name of Holder	Title of Securities	No. of Options	Exercise Price	Expiration Date
Jose S. Canseco	Option to Purchase Common Stock	14,374	\$2.40	4/23/2008

⁽²⁾ Includes 14,374 shares that may be acquired through the exercise of options to purchase our shares at an exercise price of \$2.40.

⁽³⁾ Includes 14,374 shares that may be acquired through the exercise of options to purchase our shares at an exercise price of \$2.40.

⁽⁴⁾ Includes 14,374 shares that may be acquired through the exercise of options to purchase our shares at an exercise price of \$2.40, and 50,000 shares that may be acquired through the exercise of options to purchase our shares at an exercise price of \$2.00.

⁽⁵⁾ Includes 50,000 shares held in the name of Frazer Technology, LLC, which is wholly owned by Tommy Frazer, 4,161 shares that may be acquired through the exercise of options to purchase our shares at an exercise price of \$2.40, and 6,250 shares that may be acquired through the exercise of warrants to purchase our shares at an exercise price of \$2.40.

⁽⁶⁾ Includes 75,000 shares held in the name of BRC Specialty BIDCO, Inc., which is controlled by Mr. Burnell, and 4,161 shares that may be acquired through the exercise of options to purchase our shares at an exercise price of \$2.40.

⁽⁷⁾ Includes 4,161 shares that may be acquired through the exercise of options to purchase our shares at a strike price of \$2.40 held by Mr. Jones and 7,500 shares that may be acquired through the exercise of warrants to purchase our shares at a strike price of \$2.00 held by SBL Capital, Inc., which is wholly owned by Mr. Jones and 17,500 shares that may be acquired through the exercise of options to purchase our shares at a strike price of \$2.00 held by Dean Capital, Inc., which is wholly owned by Mr. Jones.

Name of Holder	Title of Securities	No. of Options	Exercise Price	Expiration Date
William D. Davis	Option to Purchase Common Stock	14,374	\$2.40	4/23/2008
William C. Ellison	Option to Purchase Common Stock	14,374	\$2.40	4/23/2008
		50,000	\$2.00	Indefinite
Thomas L. Frazer	Option to Purchase Common Stock	4,161	\$2.40	4/23/2008
	Warrant to Purchase Common Stock	6,250	\$2.40	8/8/2008
William J. Burnell	Option to Purchase Common Stock	4,161	\$2.40	4/23/2008
Terry Jones	Option to Purchase Common Stock	4,161	\$2.40	4/23/2008
Dean Capital, L.L.C. ⁽¹⁾	Option to Purchase Common Stock	17,500	\$2.00	12/12/2005
SBL Capital Group, Inc. (1)	Warrant to Purchase Common Stock	7,500	\$2.00	Indefinite

⁽¹⁾ Wholly owned by Terry Jones

INTEREST OF MANAGEMENT AND OTHERS IN CERTAIN TRANSACTIONS

From time to time, the founders of MD Technologies have advanced funds to us in return for promissory notes. Total loans from management represent \$227,046.42. Mr. William Ellison, a director and General Counsel, loaned us \$100,000 on December 12, 2001. The loan is secured by a security interest on MD Technologies' personal property, including inventory, equipment, accounts, licenses, software and intellectual property. William D. Davis, a director and CEO, loaned us \$35,101.42 on July 9, 2002. The note is unsecured. Jose S. Canseco, Chairman of the Board of Directors, loaned us \$36,945 on June 24, 2002. This note is unsecured. SBL Capital Corp., which is wholly owned by Terry Jones, loaned \$30,000 to the Company on November 15, 2001. This loan is secured by a security interest on MD Technologies' personal property, including equipment, accounts, chattel paper, contract rights, inventory, licenses, software and intellectual property, and is personally guaranteed by Jose S. Canseco. Thomas L. Frazer, a director, loaned us \$25,000 on August 8, 2003, and was issued a warrant to purchase 25,000 shares of common stock of the Company for the exercise price of \$15,000 (\$0.60 per share) (6,250 shares at \$2.40 per share after giving effect to the reverse stock split), as additional consideration for such loan. This note is unsecured. These notes will be paid off with the proceeds of this Offering. The following table sets forth the interest rate, maturity date and outstanding balance of each of these loans.

Payee	Loan Amount	Date	Interest Rate	Maturity Date	Outstanding Balance as of 9/30/03
SBL Capital Corp. (1)	\$30,000.00	11/15/01	18%	12/1/06	\$17,050.66
William C. Ellison	\$100,000.00	12/12/01	12%	6/30/04	\$100,000.00
Jose S. Canseco	\$36,945.00	6/24/02	8%	On Demand	\$40,635.00
William D. Davis	\$35,101.42	7/9/02	8%	On Demand	\$38,377.45
Thomas L. Frazer	\$25,000.00	8/8/03	*	3/8/04	\$25,082.19

⁽¹⁾ Wholly owned by Terry Jones.

Dean Capital, L.L.C. and SBL Capital Corporation, which are wholly owned and controlled by Terry Jones, provide financial consulting services to the Company.

^{*} The lesser of the Wall Street Journal Prime Rate or the maximum rate allowed under applicable law. The interest rate as of November 5, 2003 is 4%.

DESCRIPTION OF CAPITAL STOCK

MD Technologies Inc. is a Delaware corporation formed in February of 2000. We have authorized 30 million shares of common stock, par value \$0.0004 (the "Common Stock"). Of the authorized Common Stock, 10,737,912 shares have been issued as of September 30, 2003. After the reverse stock split, we have 2,684,478 shares issued and outstanding. We have also authorized 20,000 shares of preferred stock. This preferred stock has not been issued and we do not have any plans to issue preferred stock in the immediate future.

Common Stock

On September 24, 2003, we authorized and implemented a 1 to 4 reverse stock split, effective September 26, 2003. The effect of the reverse stock split was to raise the price of the stock from \$0.60 per share to \$2.40 per share and to increase the par value of the stock from \$0.0001 per share to \$0.0004 per share.

The shares of common stock do not have any special voting rights, preemptive rights or preferences to dividends or upon liquidation. The holders of Common Stock are entitled to one vote per share on all matters to be voted on by shareholders. With respect to the election of Directors, the holders of Common Stock are entitled to elect the company directors. The holders of Common Stock are entitled to share ratably in any assets remaining after the satisfaction of all prior claims. Neither our Certificate of Incorporation nor the Shareholders' Agreement gives the holders of Common Stock any subscription or conversion rights, and there are no redemption rights with respect to the Common Stock. The Shares offered will not be restricted and can be freely traded.

Our Certificate of Incorporation requires an affirmative vote of a majority of the outstanding Shares of Common Stock, if any, to do the following:

- (1) Create a class or series of stock having rights, preferences, or privileges prior to, or on parity with, the Common Stock;
- (2) Make any amendment to the Certificate of Incorporation of the Company that would adversely affect the rights of the holders of Common Stock.

Shareholders are entitled to participate in annual meetings, which generally are held on the fourth Thursday in the month of March each year and vote for the members of the Board of Directors.

Preferred Stock

Our Certificate of Incorporation authorizes the issuance of 20,000 shares of preferred stock of no par value. We have no present plans for the issuance of such preferred stock. The issuance of such preferred stock could adversely affect the rights of the holders of common stock and, therefore, reduce the value of the common stock. It is not possible to state the actual effect of the issuance of any shares of preferred stock on the rights of holders of the

common stock until the board of directors determines the specific rights of the holders of the preferred stock. However, these effects might include:

- restricting dividends on the common stock;
- diluting the voting power of the common stock;
- impairing the liquidation rights of the common stock; and
- delaying or preventing a change in control of the Company without further action by the stockholders.

Dividends

We do not intend to pay dividends for the immediate future.

Transfer Agent

Our transfer agent is Corporate Stock Transfer, Inc., a Colorado corporation, Denver, Colorado.

LEGAL MATTERS

The validity of the Shares and certain other legal matters in connection with this Offering are being passed upon for MD Technologies by Liskow & Lewis, a Professional Law Corporation, New Orleans, Louisiana.

EXPERTS

The financial statements as of December 31, 2001 and December 31, 2002 included elsewhere and incorporated by reference in this offering circular have been audited by Comiskey & Company. The unaudited balance sheet and financial statements as of September 30, 2002 and September 30, 2003 have been compiled by our management.

FINANCIAL STATEMENTS

MD Technologies Inc. Financial Statements December 31, 2001

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders of MD Technologies, Inc.

We have audited the accompanying balance sheet of MD Technologies, Inc. as of December 31, 2001, and the related statements of operations, stockholders' equity, and cash flows for the year ended December 31, 2001. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MD Technologies, Inc. as of December 31, 2001, and the results of its operations and cash flows for the year ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America.

Denver, Colorado May 27, 2003

COMISKEY & COMPANY

PROFESSIONAL CORPORATION

MD Technologies, Inc. **BALANCE SHEET** December 31, 2001

ASSETS			
Current Assets			
Cash and cash equivalents		\$	7,229
Accounts receivable		\$	6,227
Prepaid expenses		\$_	3.856
Total current assets		\$	17,312
	•		
Property and Equipment			
Computer equipment		\$	21,552
Furniture and fixtures		<u>\$</u>	808
		\$	22,360
Less: accumulated depreciation		<u>\$</u>	4,472
		\$	17,888
Capitalized software costs held for sale, net		\$	227,318
Total assets		\$	262,518
LIABILITIES AND STOCKHOLDERS' EQUITY			
Current Liabilities			
Accounts payable		\$	35,991
Accrued expenses and interest		\$	64,806
Notes payable		\$	13,612
Deferred revenue		\$	49,014
Due to related party		\$	50,646
But to toluted purity		4	20,0,0
Total current liabilities		\$	214,069
Other Liabilities			
Long-term debt, net of current portion, net of debt discount of \$11,617		\$	123,827
Stockholders' Equity			
Preferred stock, no par value, 20,000 shares authorized,			
no shares issued and outstanding			\$ -
Common stock, \$0.0004 par value, 30,000,000 shares authorized,			
2,499,480 shares issued and outstanding		\$	1,000
Stock subscription receivable		\$	(863)
Additional paid-in capital		\$	896,123
Accumulated deficit	•	\$	(971,638)
		\$	(75,378)
Total liabilities and stockholders' equity	\$ 262,518		

MD Technologies, Inc.

STATEMENT OF OPERATIONS

For the year ended December 31, 2001 (audited) and 2000 (unaudited)

			2000
	2001		(Unaudited)
REVENUES			
Sales (Net returns & allowances of \$5,870)	\$	88,149	-
Service revenue	\$	67,493	-
Other revenue		1.334	
Total revenues		156,976	•
COST OF REVENUES			
Salaries - direct		177,447	-
Contract labor		17,403	•
Internet cost		28,552	-
Depreciation		20,991	-
Costs of other revenue		1,969	
Total cost of revenues		246,362	-
Gross profit		(89,386)	-
OPERATING EXPENSES			
Depreciation		30,272	25,800
Selling, general and administrative expenses		460,683	356,615
Research and development		-	-
	-	490,955	382,415
Loss from operations	(3	580,341)	(382,415)
OTHER INCOME (EXPENSE)			
Interest income		•	
Interest expense		(8,881)	
Loss before income taxes	(:	589,222)	(382,415)
Income tax expense		-	-
NET LOSS	(:	589.222)	(382,415)
Income (loss) per share: (Basic)		(.24)	<u> </u>
Weighted average number of shares outstanding - basic	2	419,127	

MD Technologies, Inc. STATEMENTS OF CASH FLOWS

For the years ended December 31, 2001 (audited) and 2000 (unaudited)

	20	<u>001</u>	2000
CASH FLOWS FROM OPERATING ACTIVITIES			
Net income (loss)	\$	(589,222)	\$ (382,415)
Adjustments to reconcile net income (loss) to net			
cash provided (used) by operating activities			
Amortization of debt discount		683	•
Depreciation and amortization		51,263	25,800
Expenses paid by shareholders' and			
other non-cash equity		5,000	340,134
Increase in current assets			
Increase in accounts receivable		(6,227)	-
Increase in prepaid expenses		(3,856)	-
Increase in current liabilities			
Increase in accounts payable		35,993	-
Increase in accrued expenses and interest		48,326	16,481
Increase in deferred revenue		49,014	<u> </u>
Net cash flows from operating activities		(409,026)	
CASH FLOWS FROM INVESTING ACTIVITIES			
Plant & equipment purchases		(18,360)	-
Capitalization of software development costs		(170,909)	
Net cash flows from investing activities		(189,269)	_ =
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock for cash		404,960	-
Proceeds from long term debt, net of repayments		149,055	-
Loans from related party, net of repayments		51,509	
Net cash flows from financing activities		605,524	-
NET INCREASE (DECREASE) IN CASH & CASH EQUIVALENTS		7,229	-
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		-	
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$	7,229	<u>\$</u>
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:			
Noncash Investing and Financing Activities			
-	¢		¢ 122.000
Stock issued for fixed assets	<u></u>	5 3 4 3	\$ 133,000 \$
Cash Paid During the Year for: Interest	7	5,342	<u>.</u>

MD Technologies, Inc. STATEMENT OF STOCKHOLDERS' EQUITY For the years ended December 31, 2001 (audited) and 2000 (unaudited)

	Common S	<u>tock</u>	Additional	Retained earnings	
	Number		Paid-in	(Accumulated	
	of shares	Amount	capital	deficit)	Totals
Balances as of					
January 1, 2000	- \$	- \$	-	\$ · -	\$ -
Contributed capital, costs and					
expenses incurred by					
shareholders	-	-	245,000	- ,	245,000
Issuance of stock for leasehold					
improvements, \$2.00 per share	2,000	-	4,000	-	4,000
Stock issued for services					
\$2.00 per share	112,500	45	224,955	•	225,000
Stock to be issued for receivable					
at December 31, 2000	2,156,250	863	-	•	863
Stock subscribed	-	(863)	•	-	(863)
Net loss	<u> </u>		<u>-</u>	(382,415)	(382,415)
Balances as of					
December 31, 2000	2,270,750	45	473,955	(382,415)	91,585
Stock issued for services,					
\$4.00 per share	1,250	1	5,000	•	5,001
Stock issued for cash,					
\$0.04 to \$2.00 per share	227,480	92	404,868	-	404,960
Stock warrants issued as debt					
incentive	•	•	12,300	-	12,300
Net loss				(589,222)	(589,222)
Balances as of				·	
December 31, 2001	2,499,480	\$137	\$896,123	\$(971,637)	\$(75,378)

NOTE: Footnotes to the Financial Statements as of December 31, 2001 are incorporated into the Financial Statements as of December 31, 2002 and follow those financial statements on page F-12.

MD Technologies Inc. Financial statements December 31, 2002

REPORT OF INDEPENDENT PUBLIC ACCOUNTANTS

The Board of Directors and Stockholders of MD Technologies, Inc.

We have audited the accompanying balance sheets of MD Technologies, Inc. as of December 31, 2002 and 2001, and the related statements of operations, stockholders' equity, and cash flows for each of the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of MD Technologies, Inc. as of December 31, 2002 and 2001, and the results of its operations and cash flows for each of the years then ended, in conformity with accounting principles generally accepted in the United States of America.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 2 to the financial statements, the Company has sustained operating losses since its inception and has deficits in working capital and equity which raises substantial doubt about its ability to continue as a going concern. Management's plans in regard to these matters are also described in Note 2. The financial statements do not include any adjustments related to the recoverability and classification of asset carrying amounts or the amount and classification of liabilities that might result should the Company be unable to continue as a going concern.

As more fully described in Note 6, subsequent to the issuance of the Company's 2002 financial statements and our report thereon dated June 4, 2003, we became aware that those financial statements did not reflect a reverse stock split. In our original report, we expressed an unqualified opinion on the 2002 financial statements, and our opinion on the revised statements, as expressed herein, remains unqualified.

Denver, Colorado June 4, 2003, except as to the fifth paragraph above and Note 6, which are as of September 23, 2003

COMISKEY & COMPANY PROFESSIONAL CORPORATION

MD Technologies, Inc. **BALANCE SHEET December 31, 2002**

ASSETS	
Current Assets	
Cash and cash equivalents	\$ 36,327
Accounts receivable	8,453
Prepaid expenses	4,329
Total current assets	49,109
Property and Equipment	
Computer equipment	31,507
Furniture and fixtures	4,792
	36,299
Less: accumulated depreciation	9,563
	26,736
Capitalized software costs held for sale, net	217,307
Total assets	\$ 293,152
. LIABILITIES AND STOCKHOLDERS' EQUITY	
Current Liabilities	
Accounts payable	\$ 32,176
Accrued expenses and interest	62,303
Current portion of long-term debt	13,612
Deferred revenue	5,062
Due to related party	172,046
Total current liabilities	285,199
Other Liabilities	
Long-term debt, net of current portion, net of debt discount costs of \$7,517	20,032
Stockholders' Equity	
Preferred stock, no par value, 20,000 shares authorized,	
no shares issued and outstanding	\$ -
Common stock, \$0.0004 par value, 30,000,000 shares authorized,	
2,624,480 shares issued and outstanding	1,050
Stock subscription receivable	(863)
Additional paid-in capital	1,220,252
Accumulated deficit	(1,232,518)
	(12,079)
Total liabilities and stockholders' equity	\$ 293,152

MD Technologies, Inc. STATEMENTS OF OPERATIONS

For the years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>
REVENUES		
Sales (net returns and allowances of \$8,713 and \$5,870 in 2002 and 2001, respectively)	\$ 167,613	\$ 88,149
Service revenue	41,613	67,493
Other revenue		1.334
Total revenues	209,226	156,976
COST OF REVENUES		•
Salaries - direct	152,433	177,447
Contract labor	-	17,403
Internet cost	13,263	28,552
Depreciation	39,305	20,991
Costs of other revenue	1,060	1,969
Total cost of revenues	206,061	246.362
Gross profit	3,165	(89,386)
OPERATING EXPENSES		
Depreciation	30,921	30,272
Selling, general and administrative expenses	196,024	460,683
Research and development		
	226,945	<u>490,955</u>
Loss from operations	(223,780)	(580,341)
OTHER INCOME (EXPENSE)		
Interest income	•	-
Interest expense	(37,101)	(8,881)
Loss before income taxes	(260,881)	(589,222)
Income tax expense		 :
NET LOSS	(260,881)	(589,222)
Income (loss) per share: (Basic)	(0.10)	(0.24)
Weighted average number of shares outstanding - basic	. 2,556,672	2,419,127

MD Technologies, Inc.

STATEMENTS OF CASH FLOWS

For the years ended December 31, 2002 and 2001

	<u>2002</u>	<u>2001</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Net loss	\$ (260,881) \$	(589,222)	
Adjustments to reconcile net loss to net cash flows from operating activities			
Amortization of debt discount	4,100	683	
Depreciation and amortization	66,324	51,263	
Options issued for services	74,179	-	
Expenses paid by shareholders' and other non-cash equity	-	5.000	
Increase in current assets			
Increase in accounts receivable	(2,226)	(6.227)	
Increase in prepaid expenses	(473)	(3,856)	
Increase (decrease) in current liabilities			
Increase (decrease) in accounts payable	(3,813)	35,993	
Increase (decrease) in accrued expenses and interest	(2,504)	48,326	
Increase (decrease) in deferred revenue	(43,952)	<u>49,014</u>	
Net cash flows from operating activities	(169,246)	_(409,026)	
CASH FLOWS FROM INVESTING ACTIVITIES	1,102,12.101		
Plant and equipment purchases	(14,295)	(18,360)	
Capitalization of software development costs	(50.866)	_(170,909)	
Capitalization of software development costs	(30,000)	_(170,707)	
Net cash flows from investing activities	(65,161)	_(189,269)	
CASH FLOWS FROM FINANCING ACTIVITIES			
Issuance of common stock for cash	250,000	404,960	
Proceeds from long-term debt, net of repayments	(107,895)	149,055	
Loans from related party, net of repayments	_121,400	_51,509	
Net cash flows from financing activities	263,505	605,524	
NET INCREASE IN CASH AND CASH EQUIVALENTS	29,098	7,229	
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	<u>7.229</u>	-	
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 36,327	\$ 7,229	
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION Noncash investing and financing activities:	ON:		
Stock issued for fixed assets	<u>\$</u>	\$ 133,000	
Cash paid during the year for:			
Interest	\$ 28,052	\$ 5.342	

MD Technologies, Inc. STATEMENT OF STOCKHOLDERS' EQUITY

Balances as of January 1, 2000 Contributed capital, costs and expenses incurred by shareholders - 245,000 - 245,000	
January 1, 2000 Contributed capital, costs and expenses incurred by	
Contributed capital, costs and expenses incurred by	
expenses incurred by	
shareholders 245,000 - 245,000	
Issuance of stock for leasehold	
improvements, \$2.00 per share 2,000 - 4,000 - 4,000	improvements, \$2.00 per share
Stock issued for services	s issued for services
\$2.00 per share 112,500 45 224,955 - 225,000	
·	
Stock to be issued for receivable	to be issued for receivable
at December 31, 2000 2,156,250 863 863	cember 31, 2000
Stock subscribed - (863) (863)	: subscribed
Net loss (382,415) (382,415)	oss
Balances as of	nces as of
December 31, 2000 2,270,750 45 473,955 (382,415) 91,585	
2,2 ,0,000 (****),2000 (****),2000	A. M. C.
Stock issued for services,	issued for services,
\$4.00 per share 1,250 1 5,000 - 5,001	\$4.00 per share
Stock issued for cash,	issued for cash,
\$0.04 to \$2.00 per share 227,480 92 404,868 - 404,960	\$0.04 to \$2.00 per share
Stock warrants issued as debt	
incentive 12,300 - 12,300	incentive
N. 4.1 (500 222) (500 222)	
Net loss <u> (589,223)</u> Balances as of	
December 31, 2001 2,499,480 137 896,123 (971,638) (75,378)	ember 31, 2001
Stock issued for cash,	issued for cash.
\$2.00 per share 125,000 50 249,950 - 250,000	
	•
Options issued for compensation 74,179 - 74,179	ons issued for compensation
Net loss (260,880) (260.880)	oss
Balances as of	nces as of
December 31, 2002 <u>2,624,480</u> <u>\$187</u> <u>\$1,220,252</u> <u>\$(1,232,518)</u> <u>\$(12,079)</u>	ember 31, 2002

1. Summary of Significant Accounting Policies

Description of the Business

MD Technologies, Inc. (the Company) provides Internet-based solutions to the healthcare industry, including practice management, e-commerce, and patient interactivity applications. A handheld application is also available. The Company's software tools and services allow physicians to access data and to provide patients with the means of accessing data using the Internet. Until January 1, 2001, the Company was considered a development stage company under Statement of Financial Accounting Standards (SFAS) No. 7.

MD Technologies, Inc. was incorporated in Delaware on February 25, 2000.

Accounting Method

The Company records revenues and expenses on the accrual method.

Revenue Recognition

The Company recognizes revenue from the sale of third-party hardware and software products upon shipment from the Company. Title transfers FOB shipping point. Revenue from professional services is recognized upon completion of the work and notification from the customer of their acceptance. Revenue from software licensing is recognized in accordance with Statement of Position 97-2, Software Revenue Recognition. Revenue from software licensing is recognized when delivery of the software has occurred, a signed non-cancelable license agreement has been received from the customer, and any remaining obligations under the license agreement are insignificant. Revenue associated with agreements to provide product support services is recognized as related services are provided. Revenue from annual or other renewals of maintenance contracts is deferred and recognized on a straight-line basis over the term of the contracts.

Property and Equipment

Property and equipment are recorded at cost. Expenditures for renewals and improvements are capitalized while expenditures for repairs and maintenance are charged to operations as incurred. Depreciation and amortization of property and equipment are computed by the straight-line method at rates adequate to allocate the cost of applicable assets over their estimated useful lives as follows:

Computer equipment 3-5 years Furniture and fixtures 3-7 years

Costs of computer software developed for external uses and costs associated with technology under development are capitalized. Amortization is recorded for each of the Company's products separately, using the greater of a) the amount calculated under the straight-line method over the remaining estimated economic life of each product, or b) the amount calculated using the ratio of current year revenue to projected total revenue for each product. Software cost amortization included in results of operations for 2002 and 2001 totaled \$65,135 and \$46,791, respectively. Capitalization of costs begins when conceptual and design activities have been completed, technological feasibility is assured, and when management has authorized and committed to fund a project. Costs capitalized include external and internal costs of labor, materials, and services. Costs associated with training and general and administrative activities are expensed as incurred. The Company does not develop nor capitalize software for internal purposes.

1. Summary of Significant Accounting Policies (continued)

Property and Equipment (continued)

The Company reviews long-lived assets for impairment annually, and periodically whenever events or changes in circumstances indicate that the carrying value of the asset is in excess of the sum of the undiscounted cash flows expected to result from the use of the asset and its eventual disposition.

Income Taxes

Pursuant to SFAS No. 109, income taxes are provided for the tax effects of transactions reported in the financial statements, and consists of taxes currently due plus deferred taxes. Deferred income taxes are provided for revenue and expense items reported in different periods for financial statement and income tax purposes. The primary taxable and deductible temporary differences are the Company's issuance of options for services, resulting in additional compensation costs for financial reporting purposes, which are not deductible for tax purposes, carrying value of assets, and non-benefited operating loss carryforwards.

Statements of Cash Flows

For purposes of the statements of cash flows, the Company considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents.

Advertising and Marketing

Advertising and marketing costs are generally charged to operations in the year incurred. Total advertising and marketing costs were \$2,944 and \$12,726 in 2002 and 2001, respectively.

Loss per Share

Basic loss per share has been computed using the weighted average number of shares outstanding. Diluted loss per share has not been presented, as the effect of dilutive securities would decrease per share loss.

Fair Values of Financial Instruments

Unless otherwise indicated, the fair value of all reported assets and liabilities which represent financial instruments (none of which are held for trading purposes) approximate the carrying values of such instruments.

Concentration of Risk

The Company provides services to the medical community. It extends credit to its customers, primarily small practitioners' groups for which it requires no collateral. Management believes its receivables risk is mitigated by the creditworthiness of its customers.

Use of Estimates

The preparation of the Company's financial statements, in conformity with generally accepted accounting principles, requires the Company's management to make estimates and assumptions that affect the amounts reported in these financial statements and accompanying notes. Actual results could differ from those estimates.

1. Summary of Significant Accounting Policies (continued)

Accounting for Stock Issued to Employees

In December 2002, the FASB issued SFAS No. 148, Accounting or Stock-Based Compensation--Transition and Disclosure--an Amendment of FASB Statement No. 123. SFAS No. 148 amends FASB Statement No. 123, Accounting for Stock-Based Compensation, to provide alternative methods of transition for an entity that chooses to change to the fair-value-based method of accounting for stock-based employee compensation. It also amends the disclosure provisions of that statement to require prominent disclosure about the effects that accounting for stock-based employee compensation using the fair-value-based method would have on reported net income and earnings per share and to require prominent disclosure about the entity's accounting policy decisions with respect to stock-based employee compensation. Certain of the disclosure requirements are required for all companies, regardless of whether the fair value method or intrinsic value method is used to account for stock-based employee compensation The Company accounts for its stock option plan in accordance with the arrangements. recognition and measurement principles of Accounting Principles Opinion No. 25, Accounting for Stock Issued to Employees. The amendments to SFAS No. 123 are effective for financial statements for fiscal years ended after December 15, 2002 and for interim periods beginning after December 15, 2002. The adoption of the disclosure requirements of SFAS No. 148 did not have a material effect on the Company's financial position or results of operations.

FASB Statement No. 123 requires the Company to provide pro forma information regarding net income and earnings per share as if compensation cost for the Company's stock option plan had been determined in accordance with the fair-value-based method prescribed in SFAS No. 123 as amended by SFAS No. 148. The Company estimates the fair value of stock options at the grant date by using the Black-Scholes option-pricing model, which takes into account the exercise price of the options, expected life, current price of the underlying stock, its expected volatility and dividends, and the risk-free interest rate, net loss would have been increased to the proforma amounts as follows for the years ending December 31:

	20	02	2001	
	As <u>Reported</u>	Pro <u>Forma</u>	As <u>Reported</u>	Pro Forma
Net Loss	\$ (260,880)	<u>\$ (260,880)</u>	<u>\$ (589,222)</u>	<u>\$ (719,222)</u>
Basic and diluted loss per share	\$ (0.03)	\$ (0.03)	\$ (0.06)	<u>\$ (0.07)</u>

The average fair value of options granted during fiscal 2002 and 2001 was \$0.42 and \$0.50, respectively. The fair value of options is estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions: risk-free interest rate of 5%; expected life of 3 to 5 years; dividend yield percentage of 0%; and volatility of 150% for each of the two years ended December 31, 2002.

2. Commitments and Contingencies

Classification of a Going Concern

The Company, which was classified as a company in the development stage until 2001, has incurred significant and recurring operating losses since inception, including \$223,780 in 2002 and \$580,341 in 2001. In addition, at December 31, 2002, the Company had working capital and stockholders' equity deficits of \$236,090 and \$12,079, respectively.

The Company has relied on loans from its existing management, issuances of common stock to consultants, and limited cash flows from the sales of products to fund its activities. The Company intends to raise additional working capital funds in a private placement of its common stock. There can be no assurance that a private placement of the Company's securities can be accomplished on terms favorable to the Company, or at all. In the event that sufficient funds cannot be raised, management intends to curtail or defer operating costs.

3. Lease Commitments

The Company leases its principal operating location under a five-year operating lease agreement. The agreement provides for accelerating monthly rentals and also requires the Company to pay certain incremental costs incurred by the lessor and shared costs of the property. Office rent expense for each of the years ended December 31, 2002 and 2001 totaled \$39,554 and \$39,554, respectively.

At December 31, 2002, the aggregate minimum annual rental payments due under non-cancelable operating leases are as follows:

2003	\$ 49,400
2004	52,855
2005	32,053
	<u>\$ 134,308</u>

4. Income Taxes

The Company has Federal net operating loss carryforwards totaling approximately \$500,000 which expire between 2020 and 2022.

The components of the provision for income taxes are as follows:

	200	02	200	1
Current income taxes paid or payable	\$	-	\$	-
Increase in deferred tax assets		<u>-</u> -		
	\$		\$	

4. Income Taxes (continued)

Deferred income taxes are provided on temporary timing differences between financial statement and income tax reporting. The components of deferred income tax assets and liabilities are as follows:

•	2002	2001
Total deferred tax liabilities	\$ -	\$ -
Deferred tax assets Restricted stock compensation costs Fixed assets Non-benefited loss carryforwards	4,000 	2,000 1,500 <u>173,000</u>
Total deferred tax assets Less: valuation allowance	265,000 (265,000)	176,500 <u>(176,500</u>)
Net deferred tax assets	<u>\$</u>	<u>\$</u>

The valuation allowance increased by \$88,500 and \$50,000 for the years ended December 31, 2002 and 2001, respectively.

The effective tax rate differs from statutory rates applied to financial statement income and loss due primarily to the effects of the valuation allowance for deferred tax assets.

5. Notes Payable

At December 31, 2002, the Company was obligated under the following promissory notes:

	Ĩ	Current	Lo	ong-Term
8% unsecured note payable to a director, principal is due on demand.	\$	35,101	\$	-
8% unsecured note payable to a director, principal is due on demand.		36,945		-
12% note payable to a director, secured by assets, interest payable monthly, principal due on demand.		100,000		-
18% installment note, payments of \$857 per month, principal and interest payable through December 2006. Collateralized by a security interest in the Company's assets subordinated to the 12% secured director's note, above. Convertible into stock at the option of the noteholder, at the rate of \$0.50 per share as to unpaid principal, plus accrued but unpaid interest.		5,552		23,208
10% installment note, payments of \$745 per month, principal and interest payable through June 2004.		8,060		4,341
	\$	185,658	\$	27,549

6. Stockholders' Equity

Stock Split

On September 26, 2003 the Board of Directors authorized an one for four reverse stock split, thereby decreasing the number of issued and outstanding shares to 2,624,480 and increasing the par value of each share to \$0.0004. All references in the accompanying financial statements to the number of common shares and per-share amounts have been restated to reflect the stock split.

In August, the Company authorized an additional 15,000,000 shares of common stock to bring the total number of authorized shares to 30,000,000. The Company also authorized 20,000 shares of preferred stock. All references in the accompanying financial statements to the number of authorized shares have been restated to reflect the addition.

Preferred Stock

The Company's Certificate of Incorporation authorizes the issuance of 20,000 shares of preferred stock, no par value. The Board of Directors of the Company is authorized to issue preferred stock from time to time in series and is further authorized to establish such series, to fix and determine the variations in the relative rights and preferences as between the series, and to allow for the conversion of preferred stock into common stock. No preferred stock has been issued by the Company.

Common Stock

The Company is authorized to issue a total of 30,000,000 shares of its \$0.0004 par value common stock.

Stock Options and Warrants

The Company has issued common stock purchase options to its employees, directors, and consultants. The options are exercisable immediately, and the terms and conditions of each option grant are specified by the board of directors.

Also outstanding at December 31, 2002, are 7,500 warrants to purchase common stock at \$2.00 through November 15, 2003, issued in connection with a loan by the grantee to the Company. These warrants are excluded from the option summary below. Fair value of these warrants has been recorded as a debt discount, amortized over the life of the related loan.

A summary of option activity is as follows:

	Shares Under Option	Weighted Average Exercise Price	Options Exercisable	Weighted Average Exercise Price
Options outstanding as				
of December 31, 2000	22,500	\$ 2.00	22,500	\$ 2.00
Options granted	65,000	2.00	65,000	2.00
Options exercised				
Options outstanding as		•		
of December 31, 2001	87,500	2.00	87,500	2.00
Options granted for services	42,107	1.68	42,107	1.68
Options exercised		-		

6. Stockholders' Equity (continued)

Options outstanding as

of December 31, 2002 <u>129,607</u> <u>\$ 1,84</u> <u>129,607</u> <u>\$ 1.84</u>

	Range of Price	Original Life	Weighted Average Remaining Life
Granted during 2000	\$2.00	30 months	6 months
Granted during 2001	\$2.00	24 months to indefinite	Indefinite
Granted during 2002	\$1.32 to \$2.00	36 months to indefinite	Indefinite .

All options are vested at December 31, 2002.

The Company applies Accounting Principles Board No. 25, Accounting for Stock Issued to Employees, and related interpretations in accounting for its plan. As such, no compensation costs were recorded, for options issued to employees, as of the date of grant. However, the Company granted 42,107 options to consultants for services on January 1 and December 12, 2002. Compensation expense was recognized for these options in the current fiscal year in the amount of approximately \$74,000.

Stockholders' Equity and Comprehensive Income

The Financial Accounting Standards Board released SFAS No. 130 – Rep orting Comprehensive Income. SFAS 130 requires companies to present comprehensive income (consisting primarily of net income items plus other direct equity changes and credits) and its components as part of the basic financial statements. For the year ended December 31, 2002, the Company's financial statements do not contain any changes in equity that are required to be reported separately in comprehensive income.

7. Major Customers

For the years ended December 31, 2002 and 2001, one customer accounted for a total of approximately 15% and 43% of total revenues, respectively. This customer is signatory to a Joint Development and License Agreement with the Company dated December 13, 2000, and owns approximately 4.5% of the Company's outstanding common stock.

8. Related Party Transactions

The Company has two notes payable to two separate shareholders. These notes accrue interest at 8%. Payments made to these notes are applied directly to principal. These notes are due on demand and the accrued interest is due sixty days after the note has been collected.

The Company has a note payable in which interest is accrued at 12%. Payments made by the Company go towards interest only. This note is due on demand.

One of the Company's shareholders is a personal guarantor on the 18% note with a balance of \$28,760 as of December 31, 2002.

September 2002 and September 2003 Unaudited Financial Statements

MD Technologies, Inc. BALANCE SHEET (unaudited)

	September 30, 2003	September 30, 2002
Current Assets		
Cash and cash equivalents	\$ 1,167	132,827
Accounts receivable	14,626	10,077
Prepaid expenses	0	3,309
Total current assets	15,793	146,213
Property and Equipment		
Computer equipment	39,429	25,534
Furniture and fixtures	4,792	4,792
	44,221	30,326
Less: accumulated depreciation	<u>16,735</u>	7.172
	27,486	23,154
Capitalized software costs held for resale, net	204,903	220,812
Total assets	\$248,182	390,179
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities		•
Accounts payable	\$ 98,541	43,204
Accrued expenses and interest	101,453	60,517
Current portion of long-term debt	13,612	13,612
Due to related party	199,154	172,046
Deferred revenue	3,132	<u>8,576</u>
Total current liabilities	415,892	297,955
Other Liabilities		
Long-term debt, net of current portion, net of debt discount	40.000	
of \$3,075	12,608	24,424
	428,500	322,379
Stockholders' Equity		
Preferred stock, no par value, 20,000 shares authorized,		
no shares issued and outstanding Common stock, \$0.0004 par value, 30,000,000 shares authorized,	-	\$ -
2,684,478 issued and outstanding	1,074	1,050
Stock subscription receivable	(863)	(863)
Additional paid-in capital	1,340,207	1,146,073
Accumulated deficit	(1,520,736)	(1,078,460)
Accumulated deficit	(1,320,130)	(1,076,400)
	(180,318)	67,800
Total liabilities and stockholders' equity	\$248,182	\$ 390,179

MD Technologies, Inc. STATEMENTS OF OPERATIONS (unaudited) For the nine months ended September 30, 2003 and 2002

	Jan - Sept 2003	Jan - Sept 2002
REVENUES		
Sales (net returns and allowances of \$11,685)	\$ 223,12	•
Service revenue	3,73	30 40,638
Other revenue	<u> </u>	
Total revenues	226,85	170,347
COST OF REVENUES		
Salaries – direct	134,45	87,139
Contract labor	1,10	-
Internet cost	10,89	10,823
Depreciation	14,76	12,746
Costs of other revenue	<u>1,414</u>	237
Total cost of revenues	162,62	110,945
Gross profit (loss)	64,22	59,402
OPERATING EXPENSES		
Depreciation	40,56	9 36,219
Selling, general and administrative expenses	292,85	5 108.263
Research and development		<u>-</u>
	333,424	144,482
Loss from operations	(269,201) (85,080)
OTHER INCOME (EXPENSE)		
Interest income		-
Interest expense	(19,017)	(21,741)
Loss before income taxes	(288,218	(106,821)
Income tax expense	=	·
NET LOSS	(288,218	(106,821)
Income (loss) per share: (Basic)	(0.02	(0.04)
Weighted average number of shares outstanding - basic	2,684,473	2,624,480

MD Technologies, Inc.

STATEMENTS OF CASH FLOWS (unaudited)

For the nine months ended September 30, 2003 and 2002

	Jan - Sept 2003		Jan -Sept 2002	
CASH FLOWS FROM OPERATING ACTIVITIES				
Net loss	\$	(288,218)	\$	(106,821)
Adjustments to reconcile net loss to net cash flows				
from operating activities				
Amortization of debt discount		3,075		-
Depreciation and amortization		55,330		48,965
Options issued for services		-		-
Expenses paid by shareholders' and other non-cash equity		84,979		-
(Increase) decrease in current assets				
Increase in accounts receivable		(6,174)		(3,851)
Decrease in prepaid expenses		4,328		547
Increase (decrease) in current liabilities				
Increase in accounts payable		61,084		(11,954)
Increase in accrued expenses and interest		39,849		20,992
(Increase) Decrease in deferred revenue		(1,930)		(40,438)
Net cash flows from operating activities		(47,677)		(92,560)
CASH FLOWS FROM INVESTING ACTIVITIES				
Plant and equipment purchases		(43,677)		(47,725)
Capitalization of software development costs			·	-
Net cash flows from investing activities		(43,677)		(47.725)
CASH FLOWS FROM FINANCING ACTIVITIES				
Issuance of common stock for cash		35,000		250,000
Proceeds from long-term debt, net of repayments		-		-
Loans from related party, net of repayments		21,193		15,883
Net cash flows from financing activities		56,193		265.883
NET INCREASE IN CASH AND CASH EQUIVALENTS		(35,161)		125,598
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD		36,327		7,229
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$	1,167	<u>\$</u>	132,827
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:				
Noncash investing and financing activities:				
Stock issued for fixed assets	<u>\$</u>	-		<u>_\$</u>
Cash paid during the year for: Interest	\$	19,017	<u>\$</u>	21,741

MD Technologies, Inc. STATEMENT OF STOCKHOLDERS' EQUITY (unaudited)

	Common Number of shares	Stock Amount	Additional paid-in capital	Retained (Accumulated <u>deficit)</u>	<u>Totals</u>
Balances as of January 1, 2000	•	-	-	<u>-</u>	-
Contributed capital, costs and expenses incurred by shareholders	-	-	245,000		245,000
Issuance of stock for leasehold improvements, \$2.00 per share	2,000	-	4,000		4,000
Stock issued for services					
\$2.00 per share	112,500	45	224,955	-	225,000
Stock to be issued for receivable at December 31, 2000	2,156,250	863	-	-	863
Stock subscribed	-	(863)	-	-	(863)
Net loss				(382,415)	(382,415)
Balances as of December 31, 2000	2,270,750	45	473,955	(382,415)	91,585
Stock issued for services,					
\$4.00 per share	1,250	1	5,000	-	5,001
Stock issued for cash,					
\$0.04 to \$2.00 per share	227,480	92	404,868	-	404,960
Stock warrants issued as debt incentive	-	-	12,300		12,300
Net loss				(589,223)	(589,223)
Balances as of December 31, 2001	2,499,480	137	896,123	(971,638)	(75,378)
Stock issued for cash, \$2.00 per share				-	

MD Technologies, Inc. STATEMENT OF STOCKHOLDERS' EQUITY (continued)

	Common Number of shares	Stock Amount	Additional paid-in capital	Retained (Accumulated deficit)	<u>Totals</u>
Stock issued for cash,					
\$2.00 per share Net Loss	125,000	50	249,950	(106,822)	250,000 (106,822)
Balances as of September 30, 2002	2,624,480	<u>187</u>	1,146,073	(1,078,460)	67,800
Options issued for compensation	-		74,179	-	74,179
Net loss	-	-		(154,058)	(154,058)
Balances as of December 31, 2002	2,624,480	<u>\$ 187</u>	\$ 1,220,252	(1,232,518)	(12,079)
Stock issued for cash,					
\$2.00 per share	17,500	7	34,993	-	35,000
Stock issued for services,					
\$2.00 per share	42,498	17	84,962		84,979
Net Loss				(288,218)	(288,218)
Balances as of September 30, 2003	<u>2,684,478</u>	<u>\$ 211 \$</u>	1,340,207	\$ (1,520,736)	(180,318)

NOTES TO FINANCIAL STATEMENTS September 30, 2003 and September 30, 2002 (unaudited)

1. Management's Representation of Interim Financial Information

The accompanying financial statements have been prepared by MD Technologies, Inc. without audit pursuant to the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted as allowed by such rules and regulations, and management believes that the disclosures are adequate to make the information presented not misleading. These financial statements include all of the adjustments which, in the opinion of management, are necessary to a fair presentation of financial position and results of operations. All such adjustments are of a normal and recurring nature. These financial statements should be read in conjunction with the audited financial statements at December 31, 2002.

INDEX TO EXHIBITS

Exhibit Number	Description
2.1	Certificate of Incorporation*
2.2	Bylaws*
3.1	Form of stock certificate*
4	Subscription Agreement*
6.1	Employment Agreement of William D. Davis*
6.2	Employment Agreement of Jose S. Canseco*
6.3	Joint Development and License Agreement with Emory Healthcare*
6.4	Nonqualified Stock Option Plan*
6.5	Promissory Note to William C. Ellison*
6.6	Promissory Note to Jose S. Canseco*
6.7	Promissory Note to William D. Davis*
6.8	Promissory Note to Thomas L. Frazer*
6.9	Note Purchase Agreement with SBL Capital Corporation*
6.10	Employment Agreement of Terry Jones*
6.11	Lease Agreement with Hearin Properties*
6.12	Advertising Agreement with The Graham Group, Inc. and Graham Group Interactive, Inc.*
6.13	CPE Sale Contract with Eatel*
6.14	Envoy Provider Agreement
10.1	Consent of Comiskey & Company*
11	Opinion re Legality*

^{*} Filed by previous amendment.

SIGNATURES

The issuer has duly caused this Offering Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of New Orleans. State of Louisiana, on November 24, 2003.

MD Technologies Inc.		
By: William		
William D. Davis		
President & Chief Executive Officer, Di	rector	
This Offering Statement has been signed by the dates indicated.	ne following persons in th	e capacities and on the
William D. Davis	11/24/03	
President & Chief Executive Officer, Director	Date	
Tronger of Charles and Calley 22000		
		,
	11/24/03	•
Jose S. Canteco	Date	
Chairman, Director	Z- 400	. *
Weller C. Eller	11/24/03	
William C. Ellison	Date	
General Counsel, Director		
William J. Burnell	Date	
Director		
Thomas L. Frazer	Date	
Director		
	1. h. 11 / 5	
Term: longo	11/24/63 Date	
Terry Jones Vice President of Finance, Director	Date	

November 26, 2003

MD TECHNOLOGIES INC.

Amended Exhibits

FORM 1-A

Exhibit 6.14

Envoy Provider Agreement

ENVOY PROYIDER ACREEMENT

conditions:	THIS ACREEMENT IS BY MAD D	Technologics 1 10 (Provider)
conditions:	For adequate consideration, the	coupt of which is hereby admonifedged by each of ENVOY and Provides, intending to be legally bound, mutually agree to the following terms an
1.	Definitions	
	For all purposes of this Agreemen	the following terms shall have the following spearings:
1 2	"Allihato" shall most any entity	ried of controlled by, ander common ownership or control with, or which owns or controls either party to this Agreement or stay of its subsidiance, the charge supposed by ENVOY each year on Provider as set forth in <u>Exhibit A</u> hereto for use by Provider of the ENVOY Services during each 1:
	of the term of this Agreement con	passing on the Effective Date.
3	Effective Date" shall mean the d	e this document is signed by ENVOY.
4 musk sod	ENVOY Materials shall present the control of the co	specifications and materials (moduling but not birated to any and all training materials, Specifications, designs and design documents, information to ENVOY Products and ENVOY Services supplied by ENVOY.
5	"ENVOY Products" shall moun e	equipment hardware families and software (whether in source of object code form), and all modifications, updates, enhancements, or replacements
eny of the	lorgeoing furnished to Provider by	INVOY, including but not limited to that which it specified below:
	DENLING	Direct Replacement Services DENVOYING DIFOCHE POST
	"Butch Transactions" and mean	
	Hospital Claims	☐ Electronic Remittance Advace ("ERA")
	Dontal Claims	Rosters
	Medical Claims	☐ Encounters
	"Real-Time Transactions" shall a	on the following categories of transmissions which are initiated, processed and a response tenuned to the nuttaing entity during the same
con un un si	CERCOLLE SCENICIE	_
	☐ Eligibility Verification ☐ Referral Submission	☐ Chairns/ Encounters ☐ Credit Card and Check Outenables Services
	Referred Inquity	Other
	Referral Verification/Authoriza	on.
		the processing of Then sections from Provider to ENVOY Non-Penticipating Payers which receive Transactions durough the ENVOY Services
		tient Statemenus thet (specify)
	"Payers" thall mean the following	tribes which receive Transactions submitted by Provider's Customers through the ENVOY Services as identified from nine to time by FN VOY.
	"ENVOY Participating Payers" and	mean Payers which pay ENVOY's standard foca to proceive Transactions from the ENVOY Services or and otherwise designated by ENVOY as an
OY Parti	opening Payer, and	that mean Payers which do not pay ENVOY fees to receive Transactions from the ENVOY Services or at a otherwise designated by ENVOY as an
OY Nos-	Periodycing Payer.	ener mean taken annot on the bel, by and it was to tension that the by a control of the control of the control of the build a full
		e diarges (imposed for Themsections as set forth in <u>Exhibit A</u> hareto.
		Soutions in effect from time to time to applicable to each specific Transaction and similar documentation relating to the ENVOY Services.
		na submitted by Provider to the ENVOY Services, whether or not a Payor accepts or favorably adjustantes such transactions.
	CONTROL PROPERTY OF SECRET	bject to the terms and conditions of this Agreement, ENVOY graps to Provider a non-cochialve and non-transferable focuse dight to use the sedected by at physical sites owned or managed by or under the control of Provider and solely for applicable transactions generated by Provider, in Authoronic
	Val. all america Describer a land sub-	one number or alternative tall fore number for soccess by Provider (on a disk-up adscontantanications basis) to the ENVOY central processing facility
		VOY shall provide reasonable orgoing exchained support through telephone consultations with respect to the ENVOY Services and shall provide a
	e telephone number for ecous to El	VOYs technical support facility for this purpose. No rights are granted to the ENVOY Services except as explicitly set forth in this Agreement.
	Right to Use PNVOV Preducts.	VVOY grants to Provider a limited blocuse right to use the specified ENVOY Product(s) for the term of this Agreement molely to the little Provider's
		pose and shipping, insurance, and delivery charges associated with the delivery and any subsequent seems of the ENVOY Product(s), or any portion
		rovider selects Direct Replacement Services ("DRS") above, ENVOY will provide DRS for ENVOY Products fundahed becamder on the following ENVOY Product is not functioning, ENVOY will promptly ship to Provider a replacement ENVOY Product and upon receipt of the replacement
		mon-functioning ENVOY Product to ENVOY; (b) the DRS down not cover ENVOY Products which have been modified, altered or supplemented
		tre been demaged following receipt by Provider, and (c) in the event that Provider implements the DRS for an ENVOY Product under elecumitations
		requence of the returned ENVOY Product being, in actualty, a functioning ENVOY Product of as a consequence of Section 3(b) becook ENVOY
		noused by ENVOY in connection with such event, including insurance and finight charges. Notwithstanding any growsian to the constant herein,
		fact(s) in accommence with Section 9.1 below at any time at the event Provider has not used the ENVOY Product(s) to submit Transactions through
	aquest the return of any ENVOY For relocat for a period of 30 consecutive Facts	many) in eccondance with Section 9.1 below at any time at the event Provider has not used the ENVOY Product(e) to submit Transactions through tays.
i	equent the return of any ENVOY Fa evices for a period of 30 conscentive Fact: Provider agrees to pay ENVOY for	incis) is econdance with Section 9.1 below at any time as the event Provider has not used the ENVOY Production to submit Transactions through in a submit transactions through in the ENVOY Services and/or ENVOY Products and any other monies that ENVOY pursuant to this Agreement within thirty (30) days after invoice
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it Provide sitted by ap of the ENV be paid by ding, with	aquest the return of easy ENVOY for Feet. Provider agreed to pay ENVOY for or fails to make payment with respondicular to the unguid to plicable law if frees, of the unguid to DOY Services if past due services are Provider. For Tuntaction Fees are howithstending the thregwing, EN tel intuitation, government imposed to literaturion, government imposed	inca(s) is economic with Section 9.1 below at any time at the event Provider has not used the ENVOY Product(s) to submit Transactions through tary. See ENVOY Services and/or ENVOY Products and any other monies the ENVOY pursuant to this Agreement within thirty (30) days after invoice in any invoice by its dute, such invoice shall be decayed delinquent and a late change equivalent to 1 1714 pet month, or the mandature rate mee that he purpoice for each month, or portion thereof, duting which the delinquency transits outstanding. ENVOY services, the pight to support of semantical within 10 days following notice by ENVOY of such part due excounts, and all costs of collection, including seasonable attentions that financial terms of the Agreement are subject to increase or medication by ENVOY upon 30 days prior notice at my time. Our shall be entitled at any time without pole notice to peat through any increase in constructions satisfy stated to the ENVOY Services, your feet from changes in regulation or statute, any third party imposed access force, or any other from measured against ENVOY and
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Frontier shall retain records relative to Provider's use of the ENVOY Services in accordance with sound imminest process and ENVOY may request access to such records as are by necessary to example Provider's exceptions with its obligations and the ENVOY Services provided pussuant to this Agreement during normal business moure upon removable advance pulse.

6.1 Provider acknowledges and across that the ENVOY Produces, ENVOY Materials, ENVOY Services, all medicanul property rights (Including, without limitation, copyright, palent, trade secrets, confidential information defree, and moral rights) derived or devolving from the ENVOY Produces, ENVOY Materials or the performance of the ENVOY Services, and all derivative works of the ENVOY Products, ENVOY Materials. ENVOY Services, and such intellectual property rights (including, without limitation, data compilations, abstracts, and aggregations and substicted summands).

and all information regarding the faregoing (including but not brilled to technology and know how information) and all copies of the foregoing, regardless of by whom prepared, are owned by and me valuable, special and stricture useds of ENVOY's business and may be provided to third purces by ENVOY and to Athliades consistent with law. Provider further expressly authorizing a fundamental and appears that the foregoing are the confidential property and trade secreta of ENVOY and "Confidential Information" of ENVOY subject to Section 6.2 of this Agreement, whicher or not any portion thereof is or may be validly trademarked, copyrighted or patented. All proprietary rights in end to the foregoing shall remain vested in ENVOY or its Booksor, except for the limited bicerus nights granted Provider pursuant to this Agreement. Provider will make no attempt to account the granted agreement, source code, schematics, logic diagrams, components, operation of, or otherwise attempt to decompile or reverse expineer, any portion of the ENVOY Products. Except as specifically sufficiented by ENVOY in writing, Provider stey not copy any portion of the ENVOY Products, ENVOY Materials, or reverse digital, any post on the ENVOY froducts or ENVOY Maketuk, or any copy or marged person thereof, at whole or in part, or jumpure any derivative works of the ENVOY froducts or ENVOY Malecials. Provider shall ecoperate with ENVOY in any derivative against third purples that ENVOY may determine to be appropriate to enforce its property fights respecting ENVOY Products. ENVOY Meterials, and/or ENVOY Services. The breach or threatened breach by Provider of any provision of this Article 6 will subject Provider, at ENVOY's option, to the immediate termination of all Provider's rights becamber, and ENVOY shall be estilled to an injurcation sectaming such breach without limiting ENVOY's other remedies to such breach or discalled breach, that wins recovery of

Each party shall return in confidence and not disclose to any other person, except in confidence and in accordance with becomes generally evallable to the public other than as a result of a wrongfid disdocure by the recipient, (b) was in the recipient's possession and not known to be the Confidential Information of the context of the confidential of the recipient of the confidential before the confidential befo other party prior to its disclosure to the recipient by the other party. (c) was independently developed by the recipients of (t) was disclosed by smether entity without restriction and where neither party is aware of any violation of the confidential information neglts of the other pany. Confidential information of the other party shall not be disclosed, in whole or in part to any person other than confidence to one for whom such knowledge as reasonably necessary for purposes of this Agreement and then only to the degree such disclosure is to necessary and only if the recipient has acreed an writing to mentain the confidentiality of such information. Confidenced information shall be protected by each party in a manner which shall be no loss protective than the standard of cure which such party then uses to protect its own similar Combidential Information, but in no event shall such standard be less than is reasonably adequate to p. vicet such Combidential Information. The parties shall take all appropriate action by instruction, written agreement or otherwise to saidly their obligations with tespent to the use, copyring, confidentiality, protection and security of the other party's Confidental Information. This provision shall survive the termination or expiration of this Agreement.

All modia releases, public announcements or other public disclosures by either purty or their employees or agents relating to this Agreement or its subject matter, metalising without invitation, promotional or marketing material, shall be coordinated with and approved by an officer of the other party prior to release, but this restriction shall not apply to any disclosure solely for

unional distribution by either party or any disclosure required by legal, eccounting or regulatory requirements Representations and Warrantes.

ENVOY represents and werners that ENVOY Services and ENVOY Products provided hereinfort shall conform to the applicable ENVOY Materials provided to Provider in all material respects. In the event that a documented and reproducible flaw inconsistent with this warranty is discovered. ENVOY's sole responsibility about the to use continuerically residentially resident such flaw in a timely manner. This warranty does not apply to any media or documentation which has been publicated to durage or source of to any claim resulting in which or an part from changes in the operating changes and the operating changes of computer hardware or computer operating systems made after the release of the applicable ENVOY Froduct or ENVOY Services or which result from problems at the interaction of ENVOY Services with non-ENVOY software or equipment or from a breach by Provider of any of its obligations hereunder

Limitations of Liabitity.

ENVOY'S REPRESENTATIONS AND WARRANTIES ARE THOSE SET FORTH IN ARTICLE 7 OF THIS AGREEMENT. ENVOY DISCLAIMS ALL REPRESENTATIONS AND WARRANTIES, INCLUDING WARRANTIES OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR USE. IN NO EVENT SHALL ENVOY BE LIABLE FOR INCIDENTAL CONSEQUENTIAL OR SPECIAL DAMAGES, EVEN IF PROVIDER HAS BEEN ADVISED OF THE POSSIBILITY OF SUCH DAMAGES. ENVOY B ACCREGATE LIABILITY TO PROVIDER UNDER THIS AGREEMENT AND WITH RESPECT TO ENVOY SERVICES, ENVOY PRODUCTS, AND ENVOY MATERIALS FURNISHED HERBUNDER (WHETHER UNDER CONTRACT, TORT, OR ANY OTHER THEORY OF LAW OR EQUITY) SHALL NOT EXCEED, UNDER ANY CIRCUMSTANCES, THE AVERAGE MONTHLY AMOINT PAID BY PROVIDER TO ENVOY FOR THE PARTICULAR ENVOY SERVICES, ENVOY PRODUCTS, OR ENVOY MATERIALS THAT ARE NOT IN COMPLIANCE WITH THE TERMS OF THIS AGREEMENT. THE FOREGOING LIMITATION OF LIABILITY REPRESENTS THE ALLOCATION OF RISK OF FAILURE BETWEEN THE PARTIES AS REFLECTED IN THE PRICING HEREUNDER AND IS AN ESSENTIAL ELEMENT OF THE BASIS OF THE BARGAIN BETWEEN THE PARTIES.

In the event that any infirmation to be transmitted through the ENVOY and transmitted by ENVOY or is not securedly transmitted as a result of ENVOY's faither as perform the ENVOY Services in accordance with the terms of this Agreement, and such results in durange to Provider, then ENVOY's cole obliquition and flaking to Provider for such event (surject to reasonable mitigation by Provider and the immitation of labelity set forth in Section 8.1), that he timed to flumishing creative on subsequent invoices from ENVOY to Provider in an amount expect to Provider's actual damages incurred for reconstructing or retainsmitting the data, including reasonable out-of-pocked expenses which Provider can demonstrate it has sustained seed which are directly ambiguished to much faiture. Any claim agents ENVOY is Provider on the second from Provider on the THE SECTION STATES THE ENTIRE LLABILITY OF ENVOY WITH RESPECT TO CLAIMS THAT INFORMATION WAS NOT TRANSMITTED OR WAS TRANSMITTED ENACCURATELY BY ENVOY.

8.3 ENVOY stall have no responsibility for determining the accuracy of any claim submitted, for setting disputed claims, for setting disputed payments, for setting disputed payments, for setting disputed claims, for setting disputed payments, for s

Torse and Rights Upon Termination.

7.

The national term of this Agreement shall commence on the date signed by ENVOY and diall continue for a period of three years. The results, this Agreement shall associately renew for additional one year terms times either party gives notice to the other at least 30 days before the end of the next copyragion date of its decision not to cenew this Agreement. Upon termination of expiration of this Agreem. In, Provider shall conce using ENVOY Services and return to ENVOY, at Provider's experse, all ENVOY Products, related documentation and copies of the foregoing, regardless of by whom prepared. Upon termination, Provider will pay any outstanding balance for ENVOY Services, ENVOY Products, and the reduced value of all ENVOY Products not returned or returned damaged beyond normal west and tear

Either perry shall have the right to terminate this Agreement upon notice that the other perry has committed a material breach of its obligations under this Agreement and has falled to oure such breach within 30 days of notice by the other party of such breach. Furthermore, either party shall have the right to terminate this Agreement effective unmodistely upon notice in the event that the other party ceases to denduct its business in the ordinary course, becomes legally insolvent, or svals used of or becomes subject to any proceeding under the bankruptcy laws of any applicable paradiction. ENVOY shall have the additional right to terminate (4) any ENVOY Service and/or ENVOY Product effective upon reasonable advance notice by ENVOY to Provider that ENVOY is no longer offering or providing support for the applicable ENVOY Service and/or ENVOY Product, (b) this Agreement effective immediately in the event Outstoner has not used the ENVOY Service for a period of 30 consecutive days; or (e) the use of the ENVOY Services and/or ENVOY Products for claims falling under the junedation of the HHS Secretary immediately upon notice if ruch terms also required by the HHS Secretary or his/her designee in the event of fraudulent or questionable billing practices of Provider.

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6. 6.1

Provider shall not usually, sell or otherwise transfer this Agreement or any nights becoming without the express prior strings constant of ENVOY, which such consent shall not be corrected by withheld. An excigure on hereunder shall be deemed to include a transfer of control or a scajerity equity ownership of Provider. Notwithstanding the foregoing, ENVOY may terminate this Agreement in its sole discretion, if Provider interprets or connected assignment in the sole discretion, if Provider interprets or connected assignment in the sole discretion, if Provider interprets or connected assignment in the sole discretion. this Agreement in to lote and and and are inside ENOUS to remain this Agreement are inside the parties of the provision shall be not not and each and shall entitle ENOUS to remain this Agreement that be binding upon and shall make to the benefit of the parties and their respective Affiliates, recovers and using the Not representations have been shade on the parties and their respective Affiliates, recovers and using the Not representations have been shade on the parties and their respective Affiliates, recovers and using the Not representations. explicitly stated in this Agreement, This Agreement superseder all polar or contemporaries wellism or onal agreements or expressions of intent or understanding and is the entire Agreement between the parties with respect to its subject matter. All terms, conditions, or provisions which may appear on any partiess or sales order or invoice issued purchase to this Agreement, to the extent productions and disclosured of this Agreement, shall be of no force or effect, notwithstanding the fact that such order or invoice may have been consisted subsequent to the date of this Agreement, and, in any event, preprinted terms of any such order or provises shall have no force or effect. This Agreement cannot be terminated (other than as set forth becam) or changed except represent to a writing spend by an authorized officer of ENVOY and an authorized officer of Provider. No waive of any of the provisions of this Agreement shall be effective national authorized officer of ENVOY and an authorized officer of Provider. No waive of any of the provisions of this Agreement shall be effective national officer of the party charged with such waiver and any such waiver shall be strictly bussed to the terms of such waiver. This Agreement is governed by the laws of the Sixte of

Toynessee bods as to interpretation and enforcement, without regard to the conflicts of law principles of days fall.

IN WITNESS HEREOF, ENVOY AND PROVIDER, INTENDING TO BE LEGALLY BOUND, HAVE CAUSED THIS AGREEMENT TO BE EXECUTED BY THEIR AUTHORIZED REPRESENTATIVES AS OF THE DATE PIRST SET FORTH ABOVE. UNTIL SIGNED BY A DULY AUTHORIZED ENVOY OFFICER, THIS AGREEMENT SHALL CONSTITUTE AN OFFICE. BY PROVIDER

MD Technologies, Inc.	ENVOY CORPORATION
Address: 932 Government St.	Address 15 Century Boulevard
Boston Rouge, UA 70802	Suite 600 Nashville, Termessee 37714
Name (Print: William D. Druis	Name (Partit
Serverare Multiple	Signing Hegory of Alexan
THE V.R. RESERVOY & Development	THE MCE PRESIDENT - GENTLY - CONTINUE
Delc	Date

Exhibit &

ENVOY PROVIDER AGREEMENT FEES

All blanks must be completed. If Provider has not selected a particular service or product in Section 1.6 of the Agreement, write "n/a" in the unselected service or product blank in this Exhibit.

I.

II.

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A.	FIRS	I YEAR		s 3,000 <u>so</u>			
В.	SUBSEQUENT YEARS			s			
PER T	RANSAC	CTION FE	ES				
A.	BATC	HTRANS	ACTIONS				
	1.	HOSPI	TAL DENTAL AND/OR MEDICAL CLAIMS	HOSPITAL	MEDICAL	DENTAL	
		a. b. c.	Claims for ENVOY Participating Payers Claims for ENVOY Non-Participating Payers Print to Paper Claims	S PIA S NIA	S .25 S .NIM	S NA S NA S MA	
	2.	ELECT	RONIC REMITTANCE ADVICE (ERA)				
# (a. b.	For Claims sent to ENVOY Participating and/or Non-Participating Payers For Claims not sent through ENVOY	s MA S MA	S NA	S N/A	
	3.	ROSTE	RS	5 -/4	SNA	SPA	
	4.	ENCOL	INTERS	SMA	SNA	s_MA	
	5.	OTHER		SMIK	s_r/A	SNIA	
Ð.	REAL-	TIME TRA	INSACTIONS				
	1.	ELIGIB	LITY VERIFICATION				
		a. b.	To an ENVOY Participating Payer To an ENVOY Non-Participating Payer			s N/A	
	2.	REFERI	RAL SUBMISSION, INOUTRY, VERIFICATION	AUTHORIZATION	<u> </u>		
		a. b.	To an ENVOY Participating Payer To an ENVOY Non-Participating Payer			S N/A	
	3.	CLAIM	S/ENCOUNTERS				
		å. b.	To an ENVOY Participating Payer To an ENVOY Non-Participating Payer			s NA s Na	
	4.	OTHER:	<u> </u>			SNIA	

	C.	PATIE	NT STA	TEMENTS:			
		i.	Per s	ingle page statement or collection le	tter		s_ M/A
		2.		additional page			SMIA
III.	ENVQ	Y PRODU	<u>JÇTS</u>	(Mark where appropriate)			
	А.	ACU-C	LAIM			•	
	B.	POSI		7			
	C.		е Сотра	mion			
	D.		e Genesi				
	E.	ENYO					-1/4
		1.	Mont	hly Subscription Fee			s_P/A
		2.		Batch Claim Access F	cc (Per File For	mat Type, i.e., NSF,	- 1
			ANSI	, MCDS/DCDS, HCDS, Print Image			s pla
		3.		Implementation Fee Per Site			5 4/4
		4.		nment Payer Enrollment Fee			S p/14
	F.	Other:		,			
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	F.	Not App	licable	-			·
IV.	DIRECT	REPLAC	EMEN	SERVICES Yes	No		s_N/A_
		~~					
V.				CHOUSE COLLECTION		4 4 01 17	
				c and payable pursuant to the Agree			
("ACH"), and Pro	vider snai	ii execut	e all documents necessary to enable	ENAOL fc. ette	et collection via ACH.	
Not App	dicable						
Inn whi	MADIE						
The defi	nition of t	enns anno	arine in	the Agreement shall apply to such	terms as used in	this Exhibit. By signing	below, the parties agree to all of
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M.	D Te	ohno	olnas'	es, Inc.	ENVOY	CORPORATION	
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		(-10					
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Date	-1/2	~1 VU			Date		